TRADE AGREEMENTS EXTENSION ACT OF 1951

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-SECOND CONGRESS

FIRST SESSION

ON

H. R. 1612

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

PART 1

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TRADE AGREEMENTS EXTENSION ACT OF 1951

THURSDAY, FEBRUARY 22, 1951

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

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

Present: Senators George, Kerr, Frear, Millikin, Taft, Butler, Martin, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk.

The CHAIRMAN. This hearing is on H. R. 1612, an act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

(The bill referred to follows:)

[H. R. 1612, 82d Cong., 1st sess.

AN ACT To extend the authority of the President to enter into trade agreements 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 1951".

SEC. 2. 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, 1951.

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 directly competitive articles; and (2) if increases in duties or additional import restrictions are required to avoid serious injury to the domestic industry producing like or directly competitive 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.

(c) Section 4 of the Act entitled "An Act to amend the Tariff Act of 1930", approved June 12, 1934, as amended (19 U. S. C., 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 request the Tariff Commission to make the investigation and report provided for by section 3 of the Trade Agreements Extension Act of 1951, and shall seek information and advice with respect to such agreement from the Departments of State, Agriculture, Commerce, and Defense, and from such other sources as he may deem appropriate."

SEC. 4. The Commission shall furnish facts, statistics, and other information at its command to officers and employees of the United States preparing for or participating in the negotiation of any foreign trade agreement; but neither the Commissson nor any member, officer, or employee of the Commission shall participate in any manner (except to report findings, as provided in section 3 of this Act and to furnish facts, statistics, and other information as required by this section) in the making of decisions with respect to the proposed terms of any foreign trade agreement or in the negotiation of any such agreement.

SEC. 5. (a) Within thirty days after any trade agreement under section 350 of the Tariff Act of 1930, as amended, has been entered into which, when effective, will (1) require or make appropriate any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which modification, imposition, or continuance will exceed the limit to which such modification, imposition, or continuance may be extended without causing or threatening serious injury to the domestic industry producing like or directly competitive articles as found and reported by the Tariff Commission under section 3, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required to avoid such injury, the President shall transmit to Congress a copy of such agreement together with a message accurately identifying the article with respect to which such limits or minimum requirements are not complied with, and stating his reasons for the action taken with respect to such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be.

(*b*) Promptly after the President has transmitted such foreign trade agreement to Congress the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which such limits or minimum requirements are not complied with.

SEC. 6. As soon as practicable, but not more than ninety days after enactment of this Act, the President shall take such action as is necessary to withdraw or prevent the application of reduced tariffs or other concessions (including the binding of an article on the free list) contained in any trade agreement hereafter entered into under authority of section 350 of the Tariff Act of 1930, as amended and extended, to imports from the Union of Soviet Socialist Republics and to imports from any nation or area thereof which the President deems to be dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

SEC. 7. (a) If in the course of a trade agreement any product on which a concession has been granted is being imported into the territory of one of the contracting parties in such increased quantities or under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting parties 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 concession in whole or in part, to withdraw or modify the concession or to establish import quotas.

(b) Upon the request of the President, upon its own motion, or upon application of any interested party the United States Tariff Commission shall make an investigation to determine whether any article upon which a concession has been granted under a trade agreement to which a clause similar to that provided in subsection (a) of this section is applicable, is being imported under such relatively increased quantities or under such conditions as to cause or threaten serious injury to a domestic industry or a segment of such industry which produces a like or directly competitive article.

In the course of any such investigation the Tariff Commission shall hold hearings, giving reasonable public notice thereof, and shall afford reasonable oppor-

tunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

Should the Tariff Commission find, as the result of its investigation and hearings, that serious injury is being caused or threatened through the importation of the article in question, it shall recommend to the President, the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for such time as may be necessary to prevent or remedy such injury.

(c) When in the judgment of the Tariff Commission no sufficient reason exists for such a recommendation to the President it shall, after due investigation and hearings, make a finding in support of its denial of the application, setting forth the facts which have led to such conclusion. This finding shall set forth the level of duty below which, in the Commission's judgment, serious injury would occur or threaten.

In arriving at a determination in the foregoing procedure the Tariff Commission shall deem a downward trend of production, employment and wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof.

SEC. 8. Section 350 of the Tariff Act of 1930, as amended, is hereby amended by adding at the end thereof the following new subsection:

"(e) No reduced tariff or other concession resulting from a trade agreement entered into under this section shall apply with respect to any agricultural commodity for which price supports is available to producers in the United States unless the sales prices (as determined from time to time by the Secretary of Agriculture) for the imported agricultural commodity within the United States after the application of such reduced tariff or other concession exceed the level of such price support."

Passed the House of Representatives February 12, 1951.

Attest:

RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. Mr. Secretary, we are pleased to welcome you as our first witness. You are, of course, familiar with the amendments made with respect to this renewal act in the House, and we will be very glad to have you make a statement. You may finish any formal statement you wish to make without interruption, if that is your wish.

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

Secretary ACHESON. I have a statement which I shall be glad to read and respond to questions, any questions, Mr. Chairman.

The CHAIRMAN. Yes. We will be very glad to have you proceed.

Senator MILLIKIN. Would you like to go all the way through before you are interrupted?

Secretary ACHESON. I think that would be convenient for me; but it is really as you wish, Senator.

Mr. Chairman, I am appearing in support of the trade agreements program to urge extension of the Trade Agreements Act. I cannot, however, support H. R. 1612 as amended in the House of Representatives. I do not think that the bill as amended is in the national interest.

I would like to state briefly the reasons why I believe a continuation of the program is important and then to comment on each of the House amendments and their effect on the program.

The preservation and development of sound trading relationships with the other countries of the free world is an essential and important element in the task of trying to build unity and strength in a free world. None of the free countries is self-sufficient. They are economically interdependent. To be economically strong, each of them needs many things from the others. In order to obtain these things, each must be able to sell its products to the others.

One of the main purposes we are trying to achieve in the tremendous effort of mobilization for defense in which we are now engaged in concert with other countries is to create in the world conditions under which we can, without fear of aggression, pursue the uninterrupted, normal, fruitful intercourse between nations. Trade is one of the most important and most fundamental elements.

Since the war we have made great strides in building up production and trade in and between the free countries. With the aid of the European recovery program, the countries of Western Europe have made remarkable progress in the restoration of their production and in building up their economic strength. Production in other areas of the world has substantially increased. Considerable progress has been made toward a restoration of balance in the international payments of many countries.

Through the economic development programs of various governments, the point 4 program and the technical assistance programs of the United Nations, a concerted effort has been begun to help improve the economic conditions in the underdeveloped areas of the world. The more developed countries have started to share increasingly with the people in those areas some of the skills and some of the knowledge which will help them to improve their present unsatisfactory standards of living. As they see that their standards of living can be improved, they will feel that they have a real stake in the future, and will not fall easy prey to the false promises of communism.

Important steps have been taken for the expansion of world trade. Tariffs have been reduced over a wider area of world trade than ever before. Agreement has been reached limiting the use of various forms of trade restrictions. A wider area of trade in Europe has been entirely freed from quotas. Some important restrictions in the Western Hemisphere have been lifted completely.

Each of these activities has contributed in its own way to building greater strength and greater unity in the free world. Each has produced both immediate improvements and promise for the future.

The Trade Agreements Act has made it possible for us to participate in this effort to expand world trade. Since the war we have negotiated trade agreements, now in effect, with 32 countries, with which in 1949 we carried on about two-thirds of our foreign trade. These countries and ourselves together carry on about three-quarters of the trade of the world. The agreements reduce tariffs or bind low tariffs or duty-free status on products accounting for over half the goods moving in international commerce.

During the period of this activity the people of the United States have achieved the highest levels of prosperity and real personal income that this country has ever known.

The standards of wages and working conditions of the wage and salary earners of the United States, as well as the standards maintained by our farmers, during this period have been the highest in

history. What has been truly remarkable about this improvement has been the generality with which standards have risen—the way in which farmers and workers in all segments of industry have benefited. This phenomenon should put to rest for once and for all the old fear that a lowering of tariff barriers would depress labor standards in the United States. Despite substantial differences in money wages paid to workers in our farms and factories and those paid abroad, the superior efficiency of our industry and agriculture has offset the apparent wage disadvantage. So much so, in fact, that it is United States competition that is feared in many areas of the world, rather than the competition of countries where wages are low and efficiency is equally low.

There are some special cases in which disparities in wages might create some degree of competitive problem, even for United States industry. This is particularly the case in industries where there has been relatively little mechanization and where labor cost is still a very large proportion of total cost. The record of action under the Reciprocal Trade Agreements Act demonstrates clearly that we have been fully aware of this situation, and that we have carefully acted with respect to situations of this kind in a manner that would avoid serious injury to the industry and the workers involved.

We in the United States believe in the private-enterprise system. We have long advocated that system in international meetings. We have reiterated that we believe in free competition, and that we are striving to contribute to building the kind of world trading system in which competition, equality of opportunity, and private enterprise can have their best opportunity to survive and develop. Private enterprise in international trade cannot flourish in a world of high tariffs, quotas and arbitrary discriminations by governments.

Many trade barriers remain. We have made slow but sure progress in the right direction. This has come about in spite of all difficulties with which countries have been confronted—shortages of materials and production and foreign exchange; despite the fact that the difficulties of the postwar situation have necessitated many controls and many deviations from the basic objective of lowering barriers, we have made slow but sure progress in the right direction. Tariffs have been lowered. Preferences have been reduced. The use of other forms of barriers has been limited.

The choice of whether the principal trading nations of the world continue to work for those objectives and in that direction depends very largely upon what we do and what they believe we are going to do. If the United States starts in the direction of restricting trade, of protectionism, of economic isolationism, or if we lead other countries to believe that that is what we are going to do, the trend will be reversed and we will move rapidly in the direction of more restriction, more bilaterialism, and more discrimination in world trading conditions. This is true, of course, because we are the most important trading Nation in the world, and because we are the Nation that has the most at stake in the preservation of the private, competitive enterprise system.

The world wants leadership in this field, as in others. We can and should provide it.

We are engaged in mobilizing all our resources to build up our own strength and that of free and friendly countries. We are determined that by no act or deed shall we contribute to building up the war

potential of the Soviet Union and its satellite states. In this activity we have the cooperation of many other free and friendly countries, which normally have much closer and more extensive trading relations with the Soviet bloc than we do. If we deny our market unnecessarily to those friendly countries, or if we act in such a way as to make them believe that such is our intention, they must turn elsewhere to dispose of their products in order to get things they need. It is, therefore, to our interest in the immediate struggle to develop and expand our trade with these countries. It is contrary to our national interest to discourage such trade.

Trade builds strength. Trade helps raise standards of living. The prospect of greater opportunities for trade brings hope; provides incentive to produce; creates a greater stake in the future.

Therefore, I emphasize again that it is important for us in our total policy to maintain as high a volume as possible of fruitful, normal trade between ourselves and free and friendly countries; it is important for us to maintain the foundations of that trade and to keep its objectives alive and vigorous. In a period of scarcity, such as that we are now entering, it is peculiarly inappropriate to take steps which are likely to result in raising tariffs.

That is why I urged in the House, and I urge before this committee, that the Congress renew the Trade Agreements Act, and not cripple it, for that act has been both the instrument and the symbol of United States leadership in the constructive, unifying and strengthening work of laying the foundations for expanded world trade.

H. R. 1612, as reported to the House of Representatives by the Ways and Means Committee, extended the authority of the President to negotiate trade agreements under the Trade Agreements Act in the same form in which it has existed for most of the life of the program. I believe that the record of accomplishment under the act and the way the authority conferred by the act has been administered fully justify that action.

The constant objective of the administration has been to create the maximum opportunities for enlarging and strengthening the export and import trade of the United States, and it has been part of this objective to take the utmost care to see that no domestic industry or branch of labor or agriculture was injured in that process. I believe that these objectives have been accomplished. Many fears of injury have been expressed. The vast bulk of them have proved to be unjustified.

I do not claim that the administration of the act has been perfect. It would indeed be surprising, in an operation of this magnitude over a period of 17 years, if some mistakes had not been made. But the objectives of those engaged in working on the program, the standard by which they have been guided, has been the commitment of two Presidents that no American industry would knowingly be injured by the use of the authority conferred by the Trade Agreements Act.

It is indicative of the care with which the program has been administered by the interdepartmental trade agreements organization that out of all the hundreds, even thousands, of individual United States tariff items which have been reduced or bound in these agreements during the life of the escape clause, there have been only 21 applications for its use. Four of these applications, including one received last week, are still pending before the Tariff Commission. Of the 17 that have been

dealt with, only 1 has been found by the Tariff Commission to justify action. In that case, action was promptly taken and the concession in question was withdrawn.

I would now like to discuss the amendments to H. R. 1612 added by the House of Representatives. These amendments deal a severe blow to the program. They reflect a philosophy alien to its purpose and unjustified by its record. That philosophy was well described by the Baltimore Evening Sun in an editorial written the day after the House action. Speaking of the trade agreements program the editorial said:

> A vigorous and confident philosophy underlies this program—a philosophy worthy of a vigorous and confident country at the height of its economic power. The philosophy underlying the "peril point" amendment, however, is the philosophy of a country cowering in its corner and unwilling to put its great system of free enterprise to the competitive test. Behind all the amendments adopted yesterday is fear—fear of what the rest of the world can do to our prosperity.

Two of the House amendments are procedural. Two are substantive.

The first procedural amendment introduces a slightly modified form of the so-called peril-point amendment introduced in the renewal of 1948 and repealed in 1949. This amendment was opposed by the administration then. We consider it restrictive and unnecessary now.

We have explained in the past the extreme difficulty of fixing the precise point at which injury will be caused. The requirement that the Tariff Commission fix such a point can only result in overcaution.

The prohibition against Tariff Commission participation in the decisions of the Trade Agreements Committee and in negotiation of agreements will handicap the Trade Agreements Committee and our negotiators.

The second procedural amendment requires the Tariff Commission to make an investigation upon every application under an escape clause, no matter how flimsy the case presented. It could be invoked without any increase in imports whatsoever. It could be invoked even if the imports complained of were not the result of a tariff concession. Injury to only a segment of an industry, no matter how marginal, would be sufficient to invoke the clause and withdraw a concession.

It then goes on to require that if the Tariff Commission finds that no injury is caused or threatened, it must nevertheless fix and publish a peril-point. This would be a wholly useless exercise which would not give the industry any protection and would give the Tariff Commission a lot of work. If the peril-point amendment just discussed were to be adopted, this would mean a complete duplication of effort.

Finally, the amendment would make any decline in sale, or increase the inventory, or any downward trend in production, employment and wages, regardless of cause, evidence of serious injury if import competition contributed to it in any way. This could be deemed to be true even though the real reason for the injury might be strikes, or credit restrictions (e. g., housing), or domestic competition, or a style change, and imports might have decreased even more than domestic sales. The Tariff Commission itself has stated the case against rigid criteria of this kind in its own statement on procedures under the existing escape clause, as follows:

> It needs to be emphasized at the outset that, in considering how to determine whether serious injury has been caused or is threatened within the meaning of the escape clause, no single, simple criterion or set of criteria can be laid down for appli-

cation in all cases. Each case will have to be judged on its own merits. Some, perhaps most, of the criteria applicable in a given case will be similar in character to those applicable to the generality of cases. But the relative importance to be attached to these identical criteria may vary with individual cases. Moreover, there will often be other circumstances to be taken into account which are peculiar to a particular case.

These amendments are unnecessary because of the care with which possible concessions and their probable effects are studied under existing procedures before recommendations are made to the President; they are unnecessary because an adequate escape clause is now included in the great majority of our trade agreements. They are undesirable and the second is unworkable in its present form for the reasons that I have given.

There appears, however, to be a considerable feeling that some form of peril-point procedure and some form of escape-clause procedure should be written into the act, rather than be dealt with by Executive action. If that is the desire of the Congress, despite the views which have been expressed by the administration and by many witnesses appearing in support of the program, I believe that amendments could be worked out on these two subjects which would permit the program to continue in a workable form. For example, the peril-point amendment introduced by the House would be materially improved if the prohibition against participation by the Tariff Commission in the work of the Trade Agreements Committee and in the actual negotiation of the agreements were eliminated.

In a number of respects the escape-clause amendment introduced by the House would not unduly hamper the operation of the program. In others, for example, its requirement of a duplicating and unnecessary peril-point finding, and its arbitrary definition of what would constitute evidence of injury, a definition which would include any number of cases in which no injury would exist at all, it would be unworkable. It could be made workable by eliminating the requirement of a peril-point finding; by requiring the Tariff Commission to take into account various danger signals, but leaving their evidentiary effect to the Commission as bipartisan experts; and by certain other changes.

The third House amendment denies the benefit of future tariff concessions to certain Communist countries. This amendment has behind it a motive with which I fully sympathize. I am sure that a vast majority of its supporters believe that it would contribute to reducing the potential of the Soviet bloc to do us harm. I wish it did. But the committee, in considering this amendment, should be aware of the fact that the economic effects of this amendment would be virtually nil. It would have little effect upon the salability of dutiable Soviet-bloc products. It would not affect the salability of their duty-free products at all. It would not contribute to our military security, for we already have strict controls over exports to the Soviet countries which may possibly contribute to their military potential.

Senator KERR. Do you mean, Mr. Secretary, that you have strict controls over exports which could possibly contribute to the military potential of the Soviet?

Secretary ACHESON. Yes, sir.

In order to comply with this amendment, it would be necessary for us to violate a number of agreements which we have with Soviet-

controlled countries long antedating our present difficulties with them. In two cases, Poland and Hungary, the agreements in question are treaties ratified by the Senate. It would also mean violating our obligations to Czechoslovakia under the General Agreement on Tariffs and Trade, which we negotiated with Czechoslovakia when it was still a free and friendly country.

Such action gives good ammunition to Soviet propagandists.

I would therefore urge the committee to consider whether, if it desire to continue this amendment at all, it would not be preferable to limit its effect to cases in which our national security might be involved, if such cases should exist.

The final House amendment requires that tariff concessions must be withdrawn when the sales price of an imported product, duty paid, is equal to or less than the support price of any agricultural product for which price support is available. This amendment would destroy the program without accomplishing the results its author had in mind.

The Secretary of Agriculture, who will follow me as a witness, will testify on this point in more detail. I would merely like to point out that the effect of this amendment would be to make it impossible for us to give or maintain any binding tariff concessions on the great majority of agricultural products, other than the so-called tropical imports, such as coffee, bananas, and tea, which we do not produce commercially in this country. This is because, if we ever decided to support the price of one of those products and the duty-paid price of the import got down to the support price, we would have to withdraw the concession. If we cannot give firm concessions on agricultural products, we cannot expect to get firm concessions in return. Over half of the concessions which we have obtained in our trade agreements in the past, and which we hope to get in the future, are concessions for our agricultural exports.

The second important point in connection with this amendment is that the products which are under price support in this country, and to which the amendment would apply if it did become operative, are predominantly the products in which we have the largest export interests and in which we are most competitive with the home production of foreign countries to which we export them. One of the main objects of our trade-agreement negotiations has been to get concessions from other countries for these products. Our exports of price-supported products during 1949–50, for example, were over five times our imports of those products.

So this amendment would prevent us from effective tariff bargaining in the future, require us to breach agreements made in the past, and would injure precisely those products which it is ostensibly designed to assist. Far from reducing the cost of price-support programs, the amendment would tend to increase it. Far from helping the American farmer, it would hurt him. Far from helping the American taxpayer, it would hurt him.

The cumulative effect of these four amendments in their present form is to make the trade-agreements program quite unworkable. It would be peculiarly unfortunate to take such an action at this time when our most vital objective is to develop the maximum economic, political, and military cooperation between the nations of the free world and their maximum unity and strength. For the United States

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to take a major step to limit present and future access by the products of friendly countries to its markets at this time would be completely contrary to the best interests of this country.

On the other hand, for the Congress to extend the act without restrictive amendments will give fresh confidence in our leadership and reaffirm to people at home and abroad our intention to work in every way to build up the economic strength of the free world, now and in the future.

The CHAIRMAN. Senator, have you any questions?

Senator KERR. No, sir.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. May I ask, Mr. Secretary, whether you will be followed by your technicians? I am thinking particularly of Mr. Brown.

Secretary ACHESON. Yes, sir. Mr. Brown will follow me, Mr. Thorp, perhaps others.

The CHAIRMAN. Mr. Brown, Mr. Thorp, and the Secretary of Agriculture.

Secretary ACHESON. Yes, sir.

The CHAIRMAN. If it is convenient for him to be over Monday. We will not have a session tomorrow on account of other complications.

Senator MILLIKIN. So that there will be ample opportunity to question as to details, the exposition of which you might not have time for.

Secretary ACHESON. That is a very considerate way of putting it, Senator.

Senator MILLIKIN. Maybe I should move over into the Department of State.

Secretary ACHESON. I think you should, sir.

Senator MILLIKIN. Mr. Secretary, I have read and, of course, do not vouch for the statement—I would like to hear from you on it—that you have decided not to submit the International Trade Organization charter; is that correct?

Secretary ACHESON. That is correct, Senator.

Senator MILLIKIN. Is that permanently correct?

Secretary ACHESON. Yes, sir.

Senator MILLIKIN. May we count on that as an unalterable fact?

Secretary ACHESON. Yes, sir; you may count on it.

Senator MILLIKIN. In the past we have shortened the period of the requested extension of the act on the theory that GATT is so closely intertwined with the International Trade Organization that the provisions of GATT should be considered in connection with the consideration of ITO.

Under the statement that you have just made, we are put in the position where we must give independent consideration to the provisions of GATT. May I ask you what is the present status of GATT and what are you doing about GATT at Torquay?

My understanding, if I may say, is that GATT is provisionally effective. Just exactly what that means, I am not sure, except that it was intended as a provisional step leading to the supplanting of the items of GATT, of most of the items of GATT, by ITO anyhow. I would like to hear from you on that.

Secretary ACHESON. May I, in regard to its present status, ask Mr. Brown to give you that?

Senator MILLIKIN. Surely.

Mr. BROWN. You are quire correct, Senator, GATT is provisionally in effect, and it may be terminated by, withdrawn from anybody, on 60 days' notice. The other aspect of the provisional effectiveness is there is no obligation on the part of any party to the agreement to put into effect any of its provisions that may be in any way inconsistent with that country's domestic legislation.

The reason why GATT was made provisionally effective in that form was that in a good many cases some changes in domestic legislation on the part of the various countries would be necessary to permit them to give full effectiveness to the provisions of the GATT, and most of them did not want to submit those legislative requests until they knew what the future of the ITO would be. The situation, so far as we are concerned, is that we are applying the GATT in every way in which it is consistent with our domestic legislation; and we propose to ask the Congress for some changes in our domestic legislation which would permit us to put the GATT fully into effect.

Senator MILLIKIN. Two years ago you suggested that there would be proposed to Congress a definitive bill with respect to GATT. Is that still the intention?

Mr. BROWN. No, sir. The plan was and is that the Congress would be asked to enact legislation which would bring our laws into harmony with the provisions of the GATT; and that, if the Congress did that, we would then take the formal executive action of making the GATT definitively effective.

Senator MILLIKIN. You have not yet done that?

Mr. BROWN. No, sir.

Senator MILLIKIN. May I inquire when you intend to do that?

Mr. BROWN. The changes that would be necessary are not very numerous. Most of them would be changes that we propose to ask for in the legislation connected with customs simplification which, if it is not now before the Congress, soon will be.

Senator MILLIKIN. Mr. Secretary, do you conceive that there is any conflict between the bill that has come over here and GATT?

Secretary ACHESON. Yes; I think there is, sir.

The CHAIRMAN. Would you mind amplifying on that?

Secretary ACHESON. I think one of the conflicts is in that part which relates to the last amendment that I discussed, which is the price support, section 8 of 1612, the amendment which is put in on line 22 of the bill, which says:

> No reduced tariff or other concession resulting from a trade agreement entered into under this section shall apply with respect to any agricultural commodity for which price support is available to producers in the United States unless the sales prices (as determined from time to time by the Secretary of Agriculture),—

and so forth.

I think that is inconsistent with GATT.

Senator MILLIKIN. Is that the only inconsistency that you can find?

Secretary ACHESON. I think that is the only one.

Mr. BROWN. The standards in the escape clause, Senator Millikin, also are somewhat different from the standards in the escape clause in the GATT, particularly the aspect of it which says that escape-clause action should be taken even if the difficulty complained of bore no relation whatever to the agreement or to any tariff concession or obligation assumed in the agreement.

Senator MILLIKIN. May I ask, Mr. Secretary, whether it is the position of the State Department that the Congress, if there should be a conflict with this provisional arrangement, whether there is a challenge of the power of Congress to deal with the same subject?

Secretary ACHESON. There is no challenge to the power.

Senator MILLIKIN. There is no question as to the power of that?

Secretary ACHESON. No, sir.

Senator MILLIKIN. Congress has a constitutional power to control as it sees fit this subject of tariffs?

Secretary ACHESON. That is right.

Senator MILLIKIN. And that proposition is not challenged anywhere along the line?

Secretary ACHESON. No.

Senator MILLIKIN. Is there any contention that there is executive power to deal with the same subjects?

Secretary ACHESON. No. If the Congress legislates, that is controlling.

Senator MILLIKIN. So that we may assume, in considering these various amendments, that there is no contention that we do not have the power to deal with them?

Secretary ACHESON. That is correct, Senator.

Senator MILLIKIN. Passing the question of policy.

Secretary ACHESON. Yes, sir.

Senator MILLIKIN. May I ask what is going on at Torquay with respect to the provisions of GATT? Are you making amendments? Are you making additions? Are there any changes coming up at all?

Secretary ACHESON. No, sir.

Senator MILLIKIN. So that we may accept GATT as we have known it to be prior to Torquay, as the authentic—I will not call it agreement—but authentic instrument to be dealt with?

Secretary ACHESON. That is correct, Senator.

Senator MILLIKIN. I see.

Mr. BROWN. May I make a comment there? There is one qualification to that, Senator. One date has been changed in the GATT, very largely at our suggestion, in order to permit further continuance of certain controls to enable us to complete disposition of some agrivultural surpluses. That is one date that is different; that is the only difference.

Senator MILLIKIN. I assume that the Secretary is aware of the fact that GATT includes almost verbatim many of the heart provisions of the ITO; it has always been affirmed by the State Department that ITO would have to have the approval of Congress. Why do not the equivalent or almost identical provisions of GATT have to have the approval of Congress?

Secretary ACHESON. It is our view, Senator, that GATT is a trade agreement, whereas the ITO goes much further than GATT, and enters into other fields which are not touched upon by the GATT, cartel and employment fields, investment fields, matters of that sort.

Senator MILLIKIN. Mr. Brown, will you refresh my memory? We have incorporated bodily roughly one whole chapter of ITO, have we not, in GATT, and we have excluded from GATT three or four other chapters that are in ITO, is that correct?

Mr. BROWN. I think that about 22 out of the 36 articles of the GATT are in the ITO, and there were something like 106 articles in

the ITO, so that there are about 70 provisions of the ITO that have no relation to the GATT at all—about 80—and 22 provisions which are substantially the same. Our feeling, Senator——

Senator MILLIKIN. Are we paying any attention to the provision of GATT that, in effect, so far as practicable we shall at the same time observe the provision of ITO?

Mr. Brown. Not in any way that changes our policy Senator.

Senator MILLIKIN. Well, that does not quite answer my question. Do we regard ITO as a background document against which what we do under GATT shall be considered?

Mr. BROWN. No, sir.

Senator MILLIKIN. So that ITO is out so far as GATT is concerned; is that correct?

Mr. BROWN. The decision not to submit the ITO has removed it. It does not mean that we do not still think that some of the ideas there were good and sound ideas to follow, but we do not consider it as any legal or moral obligation.

Senator MILLIKIN. Mr. Secretary, let me say, first, that I am delighted that you have decided not to press ITO. But may I ask why you have decided not to press it? It was represented as such an earth-shaking affair essential to the free world and the world of free trade, and we were deluged with propaganda of that kind; and now suddenly it has lost stature to the point of where it is in the waste basket. May I have the Secretary's views on why it was abandoned?

Secretary ACHESON. It was abandoned, Senator, because the support which we hoped would develop for the ITO did not develop; and, on the contrary, a great deal of opposition developed for it, and it seemed a fruitless effort to go forward with it.

Senator MILLIKIN. What you said delights my soul.

It must be pleasing to the Secretary to be able to please a Member of the Congress.

(Discussion off the record.)

Senator MILLIKIN. Mr. Secretary, I gather from the first part of your statement that you are attributing quite a little responsibility for the increase in the world's production to the trade agreements program. Would you mind demonstrating that to some extent?

Secretary ACHESON. Well, we, of course, would not say that it is the cause of the increase in world production. We think it has been a contributing factor; that it has contributed toward the ability of other countries to get off the need for American assistance, and have dollars which are earned taking the place of dollars which are given.

Senator MILLIKIN. That is simply another way of saying, is it not, that we have helped restore to a greater degree the monetary balances of the nations that cooperate with us; is that correct?

Secretary ACHESON. That is correct.

Senator MILLIKIN. It was the theory that Mr. Keynes explained to Parliament in connection with the Monetary Fund which is tied up with GATT, that the effect of it was that there was a new day and a new deal in the relationship of nations whereby the creditor countries felt an obligation to take steps to see that the debtor nations would not get their balances too far out of joint; if they got them too far out of joint the creditor nations should help them get back into a better state of balance. Is that now the theory of the State Department?

Secretary ACHESON. I do not think I can answer that, Senator. Mr. Thorp is the custodian of our economic theories.

Mr. THORP. I think what Mr. Keynes had in mind was the fact that creditor nations are nations which presumably have investments abroad, and are hoping to get returns on their investments and, therefore, in their own interest they wish to keep the other countries in as good economic position as possible.

It is like the situation of a banker who is very much interested in the economic health of the people to whom he has made loans, and I think that was the basic concept that Mr. Keynes was talking about. I think it is just in the matter of the interest of the creditor countries that the debtor countries should be as able to meet their obligations as possible.

Senator MILLIKIN. Of course, but the larger question is what steps does the creditor nation take to bring the debtor's affairs into some approximation of fiscal balance. That raises the question as to whether a creditor nation is obligated to bring about that state of balance.

Mr. THORP. I do not think we would accept in the State Department the notion of being obligated to do that.

Senator MILLIKIN. That is what I was driving at.

Secretary ACHESON. That is not our policy.

Senator MILLIKIN. Giving the best aspect of your policy, you take the attitude of the sound creditor doing the best you can to put the debtor in shape so that he can pay his debt; is that correct?

Secretary ACHESON. That is correct, sir.

Senator MILLIKIN. I think that is the best aspect that you could put on it.

We are talking here about the free world. Those are good words, and I do not think we should ever lose sight of them.

How can you have what we call our free enterprise economy in this country, to the extent that it exists, how can we have that in working relationship in international trade with what is necessary to control the economies of socialistic countries and state monopoly countries? How can that be brought together into a working relationship?

Secretary ACHESON. I do not see any great difficulty about it. If the state trading problem is the problem that you have in mind, the state trading problem in a free world only exists in regard to some items of the foreign trade of the various countries, not all.

Insofar as state trading does business, we try to work out through the GATT and otherwise, arrangements by which that is carried on under principles which are consistent with the free enterprise system.

Senator MILLIKIN. So when we speak of the free world we are not speaking of a world free from domestic controls of the nature that hobble the freedom of the people that are in a country to deal with their own affairs in the way that they want to deal.

Secretary ACHESON. No; we are talking about the world which is not under totalitarian control.

Senator MILLIKIN. Yes; that is the program when we talk about the free world.

Secretary ACHESON. Yes.

Senator MILLIKIN. I mean, I could illustrate the lack of freedom in many respects, particularly economic, of most all of the countries who are in the so-called free world, and I think there is the very

obvious difficulty of reconciling a country that is a socialistic country, for example, that must necessarily keep close control over its domestic economy—the difficulty of reconciling that kind of government with its necessary impingement on export policies and import policies with what you might call a free, or partially free, country, such as, let us assume, we are.

Secretary ACHESON. I recognize that.

Senator MILLIKIN. Mr. Thorp made an observation a while ago when he was before the House Ways and Means Committee on the 1949 hearings, and he said, on page 6 of those hearings, under the bill now before us:

> 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 mark this, please—

> and to guide the economy as a whole into the most productive lines possible.

Is Mr. Thorp's flamboyant philosophy in accord with your own on this subject?

Secretary ACHESON. Well, I think Mr. Thorp has explained what he was driving at.

Senator MILLIKIN. That explanation has never been forthcoming, Mr. Secretary, and I am still curious as to whether you view this as a vehicle for guiding the economy as a whole in the most productive lines possible. That covers a lot of territory, sir.

Secretary ACHESON. I do not regard this as a vehicle for guiding our economy, but merely for reducing the barriers which have existed in the past.

Senator MILLIKIN. Now, Mr. Thorp, you should put on the dunce cap until it has been removed later in this hearing. I am glad to hear that, Mr. Secretary. That is a very vaulting ambition out of such a humble little act, such as the Reciprocal Trade Act, which was, as I recall, on one sheet, and has not the faintest hint that the State Department is to guide our economy as a whole, a power which I am sure you would never obtain from Congress.

I should add, as has been suggested to me, that that was not one of those off-the-cuff profligacies that we all indulge in in heated debate. That was part of Mr. Thorp's prepared statement. But we will be hearing from him. It is possible in diplomacy to wiggle out; maybe he will. We will try him out later on, Mr. Secretary.

I would like to ask, first, when you finish Torquay, how much of the world trade will be covered by reciprocal trade agreements, and how much of our trade will be so covered when you have finished at Torquay, assuming that you do finish?

Mr. BROWN. It is difficult to give an exact figure on that now, Senator, since we do not know, of course, what products will be covered in the final agreement; but I should think that another 4 or 5 percent of the world's trade might be included in the schedules of the GATT.

Senator MILLIKIN. Will you give us a rough estimate of those two categories?

Mr. BROWN. Yes; I can do so.

Senator MILLIKIN. Are you prepared to do it now?

Mr. BROWN. No, sir.

(The following was subsequently supplied for the record:)

The cumulative total of the foreign trade of (1) the United States, (2) the countries with which trade agreements are now in effect under the authority of the Trade Agreements Act, and (3) the countries which are expected to accede to the general agreement on tariffs and trade as a result of the Torquay negotiations, accounted for approximately 86 percent of total world trade in 1949.

The trade carried on by the United States with (1) the countries with which trade agreements are now in effect under the authority of the Trade Agreements Act, and (2) the countries which are expected to accede to the general agreement as a result of the Torquay negotiations, accounted for about 80 percent of total United States foreign trade in 1949.

Senator MILLIKIN. You referred, Mr. Secretary, to our increased employment and wages and working conditions and farmers and workers in industry, and I think there was an implication that you attributed an important part in that result to this trade agreements program.

You would not belittle the effect of World War II in bringing the Nation into complete employment, adding vastly to our labor force? I am sure you would not belittle the effect of overcoming obsolescence after World War II; I am sure you would not belittle the effect of our giveaway policies which have added vastly to our exports; I am sure that you would not belittle the fact that the effects of inflation have also been reflected in the dollar statistics, so far as your thesis is concerned?

May I have your comment on that?

Secretary ACHESON. I think the purpose of those observations, Senator, is shown on page 2, in that rather long paragraph on that page, where we referred to these to point out that this fact should put to rest the idea that operations under this act would depress those standards. It also is used to show that our superior efficiency has really made our competition more feared than almost any other country's.

Senator MILLIKIN. But you do not attribute whatever our productive capacity may be, whatever the increase in employment may be, and the increasing prosperity of the farmer, you do not consider that as a result of the reciprocal-trade program.

Secretary ACHESON. No; we have not minimized the factors that you mentioned, nor do we attribute the results solely or even principally to this.

Senator MILLIKIN. This is, oh, pleasant background music under your view of the case.

Secretary ACHESON. Yes. It has had an effect; yes.

Senator WILLIAMS. Mr. Secretary, may I interrupt for a moment on that? Speaking of the 17 years in which the Trade Agreement Act has been in operation, and that the prosperity of this country existed during that period, if I understand correctly, the so-called peril point was only in effect two of those years, is that correct; that is, in 1947 to 1949?

Secretary ACHESON. It was less than that, sir. I think it was put in in 1948 and taken out in 1949.

Senator WILLIAMS. Do you attach any significance to the fact that those are the only 2 years in the 17 in which our country operated on a balanced budget?

Secretary ACHESON. No; I do not think I would attribute the balanced budget to the peril-points, either.

Senator WILLIAMS. You are taking credit for the prosperity, and I just wondered if that had any effect.

Secretary ACHESON. I do not think Senator Millikin would attribute that either.

Senator MILLIKIN. I am sorry; I dropped a stitch there for a moment.

Senator WILLIAMS. I am just calling his attention to the fact that the 2 years in which the peril point was in effect were the only 2 years in the 17 that we operated on an even keel in this country, with a balanced budget. I wanted comment.

Senator MILLIKIN. Senator, we were roundly denounced for bringing about that condition, and you are bringing up a very unpleasant subject.

Mr. Secretary; I believe you stated that you believe in the private-enterprise system, and you also state that we have long advocated this system at international meetings. There has been very little progress in that so far as other countries are concerned; is that not true? We have advocated it, but we have not succeeded in doing much about it, and I am not so certain, if I may indulge in a little philosophical observation, as to how long you should let our officials try to tell other countries what kind of systems they should have; but, pass that, we have long advocated private enterprise in international relations. At the present time, I respectfully suggest that you have very little private enterprise under the old concept of it; that is, our private traders and private traders in different countries of the world trading with each other. There is very little of that left. Most of our trade or a very considerable part of it is between governments, in the first instance; is that not correct?

Secretary ACHESON. I should not think that that was the case, Senator. I think there has been very considerable progress in saving the whole private-enterprise system in Europe and in many of the relationships which Europe has with the rest of the world and, therefore, those that we have with the rest of the world.

Senator MILLIKIN. I suggest to the Secretary that whenever you have state socialism in full flower any place it necessarily, in order to promote and protect its domestic programs, must hobble or rather have a very rigid rule of conduct as to its foreign economic relations, so as not to upset its domestic program, and that is the antithesis of the old concept of free trade among free people in international trade. I invite you to look over the scene and tell me what are the countries that are still operating under free trade under the old concept. I am not talking about lack of tariff. I am talking about the freedom of the people to deal with each other directly.

Secretary ACHESON. I should think that there is a very large part of what we call the free world being in that situation. There are restraints, some of them which have been imposed by the necessities of the international balance of payments, some by the theories of state socialism, but on the Continent of Europe you have a very wide area of what we call the private-enterprise system.

In Great Britain, which is pointed to as a Socialist country, only about a fifth of the trade of the country has been nationalized. We have, I think, saved the free-enterprise system in Germany and Japan. It is operating in a good part of Asia. The record has not been so unsuccessful, Senator.

Senator MILLIKIN. I suggest, for example, that in Great Britain cotton, trading in cotton, goes through a Government agency.

Secretary ACHESON. That is correct.

Senator MILLIKIN. I suggest that there are certain Government aspects to the watch business in Switzerland; I suggest that every country, Mr. Secretary, I can think of, with no exception—I would like to hear one exception—that every country achieves the equivalent of control, governmental control, over trading through tariffs, which is the mildest of all of the methods used, licenses, import and export, money conversion rules, bilateral agreements.

When you come to the substance of the thing through those controls—in other words, someone in the Government sits there and determines the flow of trade through the operation of these various devices that I have mentioned. Am I correct in that?

Secretary ACHESON. Yes, sir; as the result of the war and growing chiefly out of the stringencies of foreign exchange, controls on imports have been very widespread in nearly all countries. That is quite true.

I think those have not been adopted as a matter of desirable theory, but of necessity, and great effort has been made to try to get rid of them; and some progress, very considerable progress, is being made.

Senator MILLIKIN. I believe I would have to challenge your adjective "considerable." We have tied this program and the ECA program to such objectives for example, as getting rid of the trade barriers between Western European countries, breaking down the intense nationalism of those countries, getting rid of these monetary controls, getting rid of these bilateral agreements, and there may have been a very mild improvement, but I challenge that there has been a large and significant improvement. Would you take issue with me on that?

Secretary ACHESON. I think it has been larger than you are inclined to attribute to it.

Senator MILLIKIN. May I ask that you instruct someone in your Department to furnish this committee, as it has done before, with a history of the present current situation insofar as monetary controls are concerned?

Secretary ACHESON. I think we have that, sir; I think we can get that.

Senator MILLIKIN. Secondly, as to the type of import and export quantitative controls; thirdly, a history and summary of the existing bilateral agreements that exist in those of countries with which we deal under the existing Trade Agreements Act. I may think of some other pins that have burst our balloon of hope that we would have a free world, which has not happened.

I do not want to be an old, nasty cynic about this, but all of these hopes have collapsed so far. The question is: Should we keep the flag flying; keep the flag of our hopes, which have little reality in them at the present time, keep that flying, and doing that at considerable cost? I imagine that same problem goes beyond reciprocal trade.

In any event, may we have this evidence, this data, that I referred to, from which I shall base my position that we are not living in a free world at all economically; that despite the existence of the Reciprocal Trade Agreements Act, if anything, restrictions on trade have multiplied. I am quite willing to agree that they have multiplied for some of the reasons you may have mentioned; but, for whatever the reason, reciprocal-trade legislation has not had potency enough in it to make

substantial betterments in what we regard as bad practices. I have no objection whatever to a country taking those steps which it may consider to be necessary to protect its balance of trade or to protect its own interests.

Secretary ACHESON. Yes; we will be very glad to get it.

(The material requested is as follows:)

BILATERAL AGREEMENTS

The general subject of bilateral agreements that affect world trade was dealt with 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 were brought up to date so far as possible in a memorandum inserted in the record of the 1949 hearings before the committee (beginning on p. 33 of pt. 1) on H. R. 1211. The tabulations accompanying this memorandum bring the list up to date so far as available information permits.

Bilateral agreements are arrangements between two countries designed to facilitate the exchange of goods between them. While they generally specify the particular commodities subject to the arrangement, they only infrequently provide for the direct exchange of goods for goods. More generally, they make commitments that each country will do their best to facilitate the exportation or importation of specified goods up to agreed amounts, these amounts being designed to provide for an approximate balance in the trade between the two countries concerned. The amount of goods that move under the latter type of agreement depends on the commercial demand. The types and character of bilateral agreements are defined more precisely below.

REASONS FOR BILATERAL AGREEMENTS

The bilateral agreements which developed after the close of World War II were an attempt by the countries party to them to get trade moving to help alleviate the immediate economic difficulties with which they were faced. These countries generally did not regard bilateral agreements as the best way in which to conduct trade. Rather they considered these agreements as an undesirable necessity to be abandoned as soon as conditions permitted a return to multilateral trade.

There were principally two reasons which stimulated the development of bilateral agreements after the close of the war. One related to the widespread shortages of goods, the other to the extreme financial stringencies, faced by countries upon the close of the war. As a result of the widespread commodity scarcities, countries imposed export restrictions in order to conserve their available supplies. In an effort to get these restrictions relaxed, countries resorted to bilateral agreements, one country agreeing to allow the exportation of needed commodities in return for the other country's making a similar commitment.

The other principal reason for the postwar bilateral agreements related to the low level of the monetary reserves of most countries of the world and the inconvertibility of their currencies. Lacking the financial means with which to pay for needed imports, these countries had to insure that what they imported was matched by a compensating quantity of exports. Hence, they resorted to bilateral agreements to enable trade to move. The bilateral agreements were devices by which pairs of countries could reciprocally relax their import and export licensing systems without creating serious drains on their monetary reserves.

In brief, in the postwar period bilateral agreements were a technique to get trade moving again. They helped to free up the log jam caused by commodity shortages and financial stringencies. Without them the volume of trade in the postwar world would undoubtedly have been substantially less than it in fact was.

EFFECT ON UNITED STATES TRADE AND TRADE POLICY

It should be clear from the foregoing that the bilateral agreements were designed to allow trade to flow which otherwise would not have occurred. Whether foreign countries had resorted to bilateral agreements among themselves or not, they would have had to restrict imports from the United States because of their acute lack of dollars. The bilateral agreements, moreover, seldom involved

significant quantities of a given commodity as compared with the volume of prewar trade, and seldom had the effect of preempting import markets which United States exporters were anxious to supply. In addition there is a great difference between the volume of trade which the parties to the agreements commit themselves to do their best to fulfill, and the amount of trade which acutally occurred. In general, the quantities of commodities scheduled in the agreements represented the volume of exports which one country would have liked to have sent out and the volume of imports which it would have liked to have received, rather than what it actually was able to produce for export or finance for import.

If anything, the bilateral agreements probably had a beneficial rather than adverse effect on United States trade, given the conditions prevailing after the war. For, to the extent that these agreements helped get trade moving and production going, to that extent they helped restore the countries concerned to a more healthy and viable basis, ultimately making them better customers for American goods than they might have been.

Nevertheless, while the bilateral agreements did serve to meet a specific emergency situation, it is generally recognized, by the countries party to these agreements as well as by the United States, that bilateral agreements do not afford a sound, long-run pattern of trade. The bilateral balancing of trade between countries is unquestionably inefficient and prevents the attainment of the economies of international specialization and the maximization of production and wealth which are possible under a multilateral trading system.

It is for this reason that the United States has persistently sought, and will continue to seek, the replacement of bilateral arrangements with multilateral ones like the International Monetary Fund, the reciprocal trade agreements program, the OEEC trade-liberalization program and the European Payments Union. These programs mutually reinforce one another and help to overcome the difficulties which give rise to the bilateral agreements. The European Payments Union, for example, by providing for a multilateral clearing of accounts within Europe, made a substantial step forward away from exclusive bilateral arrangements. Similarly, the reciprocal trade agreements program, by providing foreign outlets for the exports of countries in balance-of-payments difficulties, assists these countries to meet these difficulties and diminishes the need to resort to bilateral agreements. As these and the other difficulties referred to above are in fact overcome, the basic reason for bilateral agreements will tend to disappear.

GENERAL STATEMENT ON BILATERAL AGREEMENTS

The term "bilateral agreement" itself has no precise meaning so far as the provisions of such an agreement are concerned. It only means that the agreement has been concluded between two governments. 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 trade agreements. Any given bilateral agreement may combine various characteristics of two or more types 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 under the Trade Agreements Act of 1934, as amended. These provide for the reciprocal reduction of tariff and other trade barriers and establish a 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 of goods 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 a significant future period, to the other country which is party to the agreement. The purchase may or may not be at a fixed price.

6. *Compensation agreements.*—Compensation agreements usually provide for establishment of equivalence in trade as 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, which grew out of the shortage of currency and did not involve the 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. They nevertheless exercise control over the trade.
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 or import 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 history of trade restrictions imposed in recent years is indicated by the following tabulation, which brings up to date the tabulation submitted by the Department in 1949 in response to a similar question which appears on pages 28–30 of the record of the hearings before the Committee on Finance in connection with the extension of the Trade Agreements Act.

Information is also added with respect to import and exchange controls among Western European countries belonging to the Organization for European Economic Cooperation.

Most recent trade agreements between OEEC countries

Agreement partners	Period	Type of agreement and special provisions
Austria-Belgium	June 11, 1950, to June 10, 1951	Protocol to trade agreement of April 1948.
Austria-Denmark	Feb. 23, 1950, to Feb. 22, 1951	Protocol to trade and payments agreement of November 1948.
Austria-France	Nov. 10, 1950, to Nov 10, 1951	
Austria-German Federal Republic	Nov. 1, 1950, to Oct. 31, 1951	
Austria-Greece	Mar. 1, 1950, to Feb. 28, 1951	Trade and payments agreement.
Austria-Ireland	Oct. 6, 1950—indefinite	Do.
Austria-Italy	Apr. 1, 1950, to Mar. 31, 1951	Protocol to trade agreement of April 1949.
Austria-Netherlands	Feb. 7, 1950, to Feb. 7, 1951	Protocol extending trade agreement of December 1948.
Austria-Norway	Jan. 1 to Dec 31, 1950	
Austria-Sweden	do	Protocol to trade and payments agreement of April 1948.
Austria-Switzerland	Aug. 1, 1949, to July 31, 1950; extended to June 30, 1951.	Supplemented and modified commodity lists.
Austria-Turkey	Aug. 28, 1949, to June 30, 1940.	Trade and payments agreement, automatically prolonged for 1 year unless denounced.
Austria-United Kingdom	Jan. 31, 1950, to Jan. 31, 1951	Payments agreement replaces one of July 1946.
	1950	Trade agreement.
Belgium-Denmark	Jan 1 to Dec. 31, 1949	
Belgium-France	Jan. 1 to June 30, 1951	Replaces trade agreement which expired Dec. 31, 1950.
Belgium-German Federal Republic.	July 1, 1949, to June 30, 1950; extended to Sept. 30, 1950.	Trade agreement to continue automatically unless terminated by either party.
Belgium-Greece	Nov. 8, 1949, to June 30, 1950	
Belgium-Italy	Jan. 1 to Dec. 31, 1950	Protocol to trade agreement of December 1948.
Belgium-Netherlands	June 1, 1947, to May 31, 1949; revised July 1948 and extended to Sept. 30, 1949.	

Most recent trade agreements between OEEC countries—Continued

Agreement partners	Period	Type of agreement and special provisions
Belgium-Norway	Jan. 1 to June 30, 1949	
Belgium-Portugal	Feb. 10, 1949, to Feb. 9, 1950	
Belgium-Spain	July 1, 1950, to July 1, 1951	
Belgium-Sweden	Jan. 1 to Dec. 31, 1950; extended to Feb. 28, 1951.	Protocol to trade agreement of 1948, automatically renewable.
Belgium-Switzerland	Oct. 1, 1949, to Sept. 30, 1950	
Belgium-Turkey	July 1, 1949, to June 30, 1950	
Belgium-United Kingdom	Jan. 1, 1948, to June 30, 1949; revised January 1949 and extended to June 30, 1950.	
	July 1, 1948, to June 30, 1952	Coffee contract with the Belgian Congo.
	Jan. 1, 1951, to July 1, 1952	Monetary agreement.
Denmark-France	Nov. 1, 1950, to Sept. 30, 1951	
Denmark-German Federal Republic.	Nov. 1, 1950, to Oct. 31, 1951	
Denmark-Greece	Feb. 25, 1950, to Feb. 24, 1951	Protocol to trade agreement of February 1949.
Denmark-Iceland	May 1, 1949, to Apr. 30, 1950	Supplement to quotas, June 17, 1949.
Denmark-Italy	Oct. 15, 1950, to Oct. 14, 1951	
Denmark-Netherlands	July 1, 1949, to June 30, 1950	
Denmark-Norway	Apr. 1, 1950, to Mar. 31, 1951	Protocol.
Denmark-Portugal	Apr. 1, 1949, to Mar. 31, 1950	
Denmark-Spain	July 1, 1950, to June 30, 1951	Do.
Denmark-Sweden	Feb. 1, 1950, to Jan. 31, 1951; supplement, Oct. 13, 1950	Protocol to trade agreement of March 1948.
Denmark-Switzerland	Apr. 1, 1950, to Mar. 31, 1951	Protocol to agreement of Dec. 4, 1948.
Denmark-Turkey	Jan. 1, 1949, to Mar. 31, 1950	
Denmark-United Kingdom	Sept. 15, 1948, to Sept. 30, 1949; extended to Dec. 31, 1950.	
	Oct. 1, 1947, to Sept. 30, 1951	Egg contract.
	Oct. 1, 1948, to Sept. 30, 1952	Bacon contract.
	Oct. 1, 1949, to Sept. 30, 1955	Butter contract.
	Oct. 20, 1950, to July 1, 1952	Monetary agreement.
Franco-German Federal Republic.	Sept. 1, 1950, to July 31, 1951	
Franco-Greece	July 5, 1950, to July 4, 1951	
France-Iceland	Oct. 5, 1949, to Sept. 30, 1950; extended to Nov. 30, 1950.	
France-Ireland	June 5, 1948, to 1949; extended to June 30, 1951.	
France-Italy	Jan. 1 to Dec. 31, 1951	Trade agreement replaces one of June 1949.
France-Netherlands	Aug. 1, 1949, to June 30, 1950; extended to Dec. 31, 1950.	
France-Norway	July 1, 1949, to June 15, 1950; supplement, Jan. 23, 1950.	
France-Portugal	Dec. 1, 1950, to Nov. 30, 1951	
France-Spain	Nov. 1, 1950, to Oct. 31, 1951	
France-Sweden	Mar. 3, 1949, to Oct. 31, 1951; supplement, Dec. 15, 1949; supplement, May 6, 1950.	
France-Switzerland	Sept 1, 1950, to Aug. 31, 1951	Protocol to trade and payments agreement of June 1949.
France-Turkey	Sept. 21, 1946, to Sept. 21, 1947; extended to Sept. 21, 1948.	
France-United Kingdom	Apr. 29, 1946; revised periodically Nov. 1946; revised 1948.	Payments agreement.
German Federal Republic-Greece.	July 1, 1950, to June 30, 1951	
German Federal Republic-Iceland.	Jan 1, to Dec. 31, 1951	
German Federal Republic-Ireland.	July 1, 1950, to June 30, 1951	
German Federal Republic-Italy	do	
German Federal Republic-Netherlands.	Nov. 1, 1950, to Oct. 31, 1951	
German Federal Republic-Norway.	July 1, 1949, to June 30, 1950	
German Federal Republic-Portugal.	June 1, 1950, to May 31, 1951	
German Federal Republic-Spain.	May 1, 1950, to Apr. 30, 1951	
German Federal Republic-Sweden.	July 1 to Dec. 31, 1950	Trade and payments agreement.
German Federal Republic-Switzerland.	Sept. 1, 1950, to Aug. 31, 1951	
German Federal Republic-Turkey.	July 1, 1949, to June 30, 1950	
German Federal Republic-United Kingdom.	July 1, 1950, to June 30, 1951	Trade agreement—includes trade with British colonial areas but not dominions
	Dec. 9, 1950, to (?)	Payments agreement.

Most recent trade agreements between OEEC countries—Continued

Agreement partners	Period	Type of agreement and special provisions
Greece-Italy	Apr. 15, 1949, to Apr. 14, 1950	
Greece-Norway	Feb. 15 to Dec. 31, 1950	Trade and payments agreement.
Greece-Portugal	Jan. 1 to Dec. 31, 1950	Do.
Greece-Spain	Feb. 23, 1950, to Feb. 22, 1951	Trade and payments agreements—renewable unless terminated.
Greece-Sweden	July 1, 1950, to June 30, 1951	
Greece-Switzerland	Apr. 1, 1950, to Mar. 31, 1951	Protocol to trade and payments agreement of April 1947.
Greece-Turkey	July 21, 1949, to July 21, 1950	
Greece-United Kingdom	Jan. 24, 1946, to (?)	Financial.
Iceland-Netherlands	Dec. 1, 1948, to Nov. 30, 1949	
Iceland-Sweden	Apr. 1, 1950, to Mar. 31, 1951	Protocol to trade agreement of June 1947.
Iceland-United Kingdom	Apr. 1, 1949, to Dec. 31, 1950	
Ireland-Netherlands	July 1, 1950, to June 30, 1951	Protocol.
Ireland-Spain	Sept. 3, 1947, to September 1948.	
Ireland-Sweden	June 25, 1949—indefinite	
Ireland-United Kingdom	Feb. 1, 1948, to Jan. 31, 1952	Egg contract.
	July 1, 1948, to June 30, 1952	Trade and finance.
	1949, 1950, 1951 crop years	Potato contract.
Italy-Netherlands	Apr. 1, 1950, to Mar. 31, 1951	Trade and payments agreements, renewable unless terminated.
Italy-Norway	July 1, 1949, to June 30, 1950; extended to Dec. 31, 1950.	
Italy-Portugal	Feb. 18, 1950, to Feb. 17, 1951	Trade and payments Agreement, renewable unless terminated.
Italy-Spain	Dec. 1, 1950, to Nov. 31, 1951	Protocol to trade agreement of November 1949.
Italy-Sweden	Nov. 1, 1950, to Oct. 31, 1951	Do.
Italy-Switzerland	do	Trade and payments agreement replaces trade agreement of October 1947 and payments agreement of November 1949.
Italy-Turkey	June 30, 1949, to June 30, 1950	
Italy-United Kingdom	July 1, 1950, to June 30, 1951	Trade agreement.
	Dec. 21, 1950, to July 1, 1952	Payments agreement.
Netherlands-Norway	Jan. 1 to Dec. 31, 1950	Protocol to trade agreement of January 1947.
Netherlands-Portugal	July 1, 1950, to July, 1951	
Netherlands-Spain	June 1, 1950, to June 1, 1951	
Netherlands-Sweden	Mar. 1, 1950, to Mar. 1, 1951	Protocol to trade agreement of December 1947.
Netherlands-Switzerland	Oct. 1, 1950, to Sept. 30, 1951	Trade and payments agreement.
Netherlands-Turkey	Sept. 6, 1949, to July 1, 1950, extended to Oct. 1, 1950.	
Netherlands-United Kingdom	Jan. 1, 1949, to Dec. 31, 1952	Bacon contract.
	Feb. 14, 1949, to Jan. 31, 1953	Egg contract.
	Jan. 1, 1950, to Dec. 31, 1950	Trade agreement.
	August 1950	Butter contract.
	January 1951, to June 1954	Financial.
Norway-Portugal	Dec. 1, 1950, to Nov. 30, 1951	Protocol to trade agreement of August 1946.
Norway-Sweden	Jan. 1, to Dec. 31, 1951	Protocol to trade agreement of April 1948.
Norway-Switzerland	July 1, 1949, to June 30, 1950	
Norway-Turkey	Mar. 7, 1949, to June 7, 1950	
Norway-United Kingdom	July 1, 1950, to June 30, 1952	Financial.
	October 1950 to (?)	Monetary.
	Dec. 16, 1950—long term	Trade agreement.
	1951	Do.
Portugal-Sweden	May 18, 1950—indefinite	Payments agreement.
Portugal-United Kingdom	Jan. 1 to Dec. 31, 1950; supplement, Oct. 13, 1950.	Trade and payments agreement; trade agreement will be continued until new agreement is made.
	Apr. 16, 1946, to Apr. 15, 1951	Monetary.
Spain-Sweden	Oct. 1, 1950, to Sept. 30, 1951	
Spain-Switzerland	May 23, 1949, to June 30, 1950	Renewable.
Spain-United Kingdom	July 1, 1950, to June 30, 1951	Protocol to trade and payments agreement of July 1, 1949
Sweden-Switzerland	May 1, 1950, to Apr. 30, 1951	Protocol to trade and payments agreement of April 1948.
Sweden-Turkey	May 15, 1950, to June 14, 1951	Protocol to trade and payments agreement of June 1948.
Sweden-United Kingdom	Nov. 10, 1950, to June 30, 1952	Monetary.
	Jan. 1 to Dec. 31, 1951	Trade agreement.
Switzerland-United Kingdom	Mar. 1, 1950, to Feb. 28, 1951	Protocol to trade and payments agreement of February 1949.
	Mar. 12, 1946, to Mar 11, 1951	Monetary.
Turkey-United Kingdom	May 4, 1945, as revised	

Most recent trade agreements between OEEC countries and the countries of the Near and Middle East

Agreement partners	Period	Type of agreement and special provisions
Austria-India	Nov. 1, 1950, to Oct. 31, 1951	Protocol to trade agreement of September 1949.
Austria-Pakistan	July 13, 1950, to July 12, 1951	Trade and payments agreement.
Denmark-Egypt	December 1947 to (?)	Payments agreement.
France-Egypt	June 1948 to June 1949	Do.
France-Pakistan	Nov. 29, 1949, to Nov. 28, 1950	
German Federal Republic-Egypt	October 1948 to October 1949; revised March 1949.	
German Federal Republic-India	July 1, 1950, to June 30, 1952	
German Federal Republic-Iran	Dec. 1, 1950, to Nov. 30, 1951	New trade and payments agreement replaces previous one of June 1949.
German Federal Republic-Pakistan.	Jan. 1 to June 30, 1950; extended to Sept. 30, 1950.	
Italy-Egypt	August 1948 to 1949 (?)	
Italy-Lebanon	May 27, 1950, to May 26, 1951	
Italy-Pakistan	July 1, 1950, to June 30, 1951	
Netherlands-Israel	Sept. 1, 1950, to Aug. 31, 1951	
Spain-Pakistan	Nov. 1, 1950, to Oct. 31, 1951	
Switzerland-Egypt	Apr. 1, 1950, to Mar. 31, 1951	Replaces trade and payments agreement of September 1948.
Switzerland-India	Mar. 1, 1950, to Feb. 28, 1951	
United Kingdom-Ceylon	July 1, 1948, to Dec. 31, 1950	Copra and coconut oil.
	July 1, 1950, to June 30, 1957	Financial.
United Kingdom-Egypt	June 30, 1947, to Dec. 31, 1950	Financial agreement.
United Kingdom-India	July 1, 1949, to June 30, 1951	Financial.
	July 1, 1951, to June 30, 1957	Do.
United Kingdom-Iran	Nov. 21, 1950, to Nov. 20, 1951	Financial agreement.
United Kingdom-Iraq	August 1947 to 1952	Do.
	1950 to (?)	Oil.
	October 1950 to September 1951.	Financial.
United Kingdom-Israel	1951 to 1952	Do.
United Kingdom-Jordan	1950	Do.
United Kingdom-Pakistan	July 1, 1950, to June 30, 1951	Do.
United Kingdom-Saudi Arabia	Apr. 20, 1942, to (?)	

Most recent trade agreements between OEEC countries and the countries of the Far East

Agreement partners	Period	Type of agreement and special provisions
Belgium-Japan	June 1, 1950, to May 31, 1951	Trade and financial arrangements.
France-Japan	December 1949 to (?)	
German Federal Republic-Japan	Aug. 1, 1949, to July 31, 1950, extended to Dec. 31, 1950; extended for indefinite period.	
Italy-Indonesia	Apr. 1, 1950, to Mar. 31, 1951	
Norway-Indonesia	Jan. 1, 1950, to Dec. 31, 1950	
Sweden-Australia	May 1949 to April 1950	Modus vivendi.
Sweden-Indonesia	Mar. 1, 1950, to Mar. 1, 1951	
Sweden-Japan	Jan. 1 to Dec. 31, 1950	
Switzerland-Indonesia	Jan. 1 to Dec. 31, 1951	Trade and payments agreement.
United Kingdom-Australia	July 1944 to June 1955	Butter contract.
	do	Cheese contract.
	Jan. 1, 1948, to Dec. 31, 1952	Sugar contract.
	July 1, 1948, to June 30, 1953	Egg contract.
	1949 to 1953	Dried fruit.
	Mar. 1, 1949, to Feb. 28, 1958	Copra and coconut oil.
United Kingdom-Fiji	Jan. 1, 1949, to Dec. 31, 1957	Copra and coconut oil.
	(?) to Dec. 31, 1952	Sugar.
United Kingdom-Indonesia	Mar. 29 to Dec. 31, 1950	
United Kingdom-Japan	July 1, 1950, to June 30, 1951	Includes colonies, trust territories, and protectorates (excluding Hong Kong), Australia, India, New Zealand, and South Africa and Ceylon.
United Kingdom-Malaya	July 1, 1949, to June 30, 1953	Copra and coconut oil.
	Jan. 1, 1950, to Dec. 31, 1952	Palm oil.
United Kingdom-New Zealand	July 1, 1944, to June 30, 1955	Butter contract.
	do	Cheese contract.
	Oct. 1, 1948, to Sept. 30, 1955	Meat contract.
	Jan 1, 1949, to Dec. 31, 1957	Copra.
	Aug. 1, 1949, to July 31, 1952	Evaporated milk.
	Aug. 1, 1949, to July 31, 1955	Milk powder.
United Kingdom-North Borneo	Jan. 1, 1949, to Dec. 31, 1953	Illipe nuts.
United Kingdom-Sarawak	do	Do.

Most recent trade agreements between OEEC countries and Canada, the countries of Latin America, and the British possessions in the Western Hemisphere

Agreement partners	Period	Type of agreement and special provisions
Austria-Argentina	Mar. 25, 1950—indefinite	Trade and payments agreement.
Austria-Brazil	Jan. 1, 1950, to Dec. 31, 1950	Trade agreement—renewable.
Austria-Canada	September 1950 to (?)	Payments agreement.
Belgium-Argentina	May 1946 to May 1948	Denounced by Belgium May 1950.
Belgium-Bolivia	April 1949 to April 1950	Payments agreement.
Belgium-Chile	July 1948 to July 1949	Provisional agreement.
Denmark-Argentina	December 1948 to December 1953.	
Denmark-Columbia	Jan. 26, 1951, to Jan. 25, 1952	Trade and payments agreement.
France-Argentina	July 1947 to July 1952, extended to Dec. 31, 1953.	Protocol to trade agreement of 1947.
France-Bolivia	May 1949 to May 1950	
France-Chile	December 1948 to December 1949.	Modus vivendi.
France-Ecuador	October 1949 to October 1950	
France-Paraguay	December 1949 to December 1950.	Renewable unless terminated.
France-Uruguay	September 1946—indefinite	Payments agreement.
France-Venezuela	July 26, 1950, to July 25, 1951	
German Federal Republic-Argentina	Aug. 15, 1950, to Aug. 14, 1951	Commercial and payments agreement.
German Federal Republic-Brazil	Sept. 17, 1950, to Sept. 16, 1951	Trade and payments agreement.
German Federal Republic-Chile	May 11, 1949, to May 10, 1950; extended to May 10, 1951	Payments agreement.
German Federal Republic-Colombia.	Aug. 14, 1950, to June 30, 1951	Trade and payments agreement.
German Federal Republic-Ecuador.	Oct 25, 1949, to Oct. 25, 1950	Trade agreement, renewable.
	January to December 1950	Payments agreement.
German Federal Republic-Mexico.	Oct. 2, 1950, to Dec 31, 1951	Trade and payments agreement.
German Federal Republic-Paraguay.	Jan. 1 to Dec. 31, 1950	Do.
German Federal Republic-Peru	May 27, 1950, to May 26, 1951	
German Federal Republic-Uruguay.	January to December 1950	
Greece-Canada	August 1947 to August 1948	Modus vivendi.
Italy-Argentina	October 1947 to December 1951	Argentine credit to Italy.
Italy-Brazil	July 5, 1950, to July 4, 1951	Trade and payments agreement.
	July 5, 1950, to July 19, 1955	Investment agreement.
Italy-Peru	December 1949 to December 1950	
Italy-Uruguay	July 1948 to (?) Revision of February 1947 agreement.	Payments agreement.
Netherlands-Argentina	April 1948 to December 1952	Investment agreement
Netherlands-Brazil	September 1948-indefinite	Payments agreement, trade agreement schedules July-October 1949.
Netherlands-Colombia	March 1949 to March 1950	Payments agreement.
Netherlands-Paraguay	January 1950 to (?)	
Netherlands-Uruguay	January 1949 to January 1950	Do.
Norway-Argentina	Aug. 24, 1949, to Aug. 23, 1950	
Norway-Ecuador	Feb. 1, 1951, to Jan 31, 1952	Modus vivendi.
Portugal-Brazil	November 1949 to Dec 31, 1950.	
Spain-Argentina	October 1946 to December 1951; revised April 1948.	Argentine loan to Spain; some quotas.
Spain-Bolivia	April 1948 to April 1951	
Spain-Chile	Aug. 9, 1950, to Aug 9, 1953	
Spain-Paraguay	Sept. 10, 1950, to Sept 9, 1951	Trade and payments agreement.
Sweden-Argentina	December 1948 to December 1949	
Sweden-Colombia	November 1948 to December 1949	
Sweden-Uruguay	June 1949 to (?)	Payments agreement.
Switzerland-Argentina	January 1947 to December 1951; revised September 1948; supplement, Aug. 3, 1950	
Switzerland-Venezuela	Feb. 27, 1950, to Feb. 27, 1951	Modus vivendi.
United Kingdom-Argentina	July 1, 1949, to June 30, 1954	Trade and payments agreement.
	do	Meat contract.
United Kingdom-Brazil	July 1, 1950, to June 30, 1951	Protocol to trade and payments agreement of May 1948.
United Kingdom-British Guiana	(?) to Dec. 31, 1952	Sugar contract.
United Kingdom-British West Indies	do	Do.
	July 1949 to June 1959	Orange juice.
United Kingdom-Canada	Jan. 1, 1950, to Mar. 31, 1951	Cheese.
	1951 to 1971	Aluminum—contract with the Aluminum Co. of Canada.
United Kingdom-Chile	July 1948 to June 1951	Payments agreement.
United Kingdom-Jamaica	Nov. 1, 1948, to Dec 31, 1952	Coffee contract.
United Kingdom-Paraguay	June 30, 1950, to June 30, 1953	Trade and payments agreement.
United Kingdom-Peru	Aug. 1, 1948, to (?)	Payments agreement.
United Kingdom-Uruguay	July 15, 1947, to (?)	Do
	July 1, 1949, to June 30, 1954	Meat contract.

Most recent trade agreements between the United Kingdom and African members of the British Commonwealth and Empire

Agreement partners	Period	Type of agreement and special provisions
United Kingdom-British East Africa	June 1 1948, to June 30, 1952	Coffee contract.
	(?) to Dec. 31, 1952	Sugar contract.
	Indefinite	Hide contract.
	do	Goatskin contract.
United Kingdom-British West Africa.	June 1, 1948, to Dec. 31, 1952	Coffee contract.
	Indefinite	Hide contract.
United Kingdom-Gambia	Jan. 1, 1950, to Dec. 31, 1952	Oilseeds and oil
United Kingdom-Gold Coast	do	Palm kernel contract.
United Kingdom-Mauritius	(?) to Dec 31, 1952	Sugar contract.
United Kingdom-Nigeria	Jan. 1, 1950, to Dec. 31, 1952	Benniseed, cottonseed, palm kernels, palm oil, and decorticated groundnuts.
United Kingdom-Seychelles	Jan. 1, 1949, to Dec. 31, 1951	Coconut oil and copra.
United Kingdom-Sierre Leone	Jan. 1, 1950, to Dec. 31, 1952	Oilseeds and oil.
United Kingdom-South Africa	1950 to 1951	Whale oil
	Jan 1, 1951—indefinite	Financial.
	(?) to Dec. 31, 1952	Sugar contract.
United Kingdom-Zanzibar	Jan. 1, 1949, to Dec. 31, 1951	Coconut oil and copra

List of most recent trade agreements between eastern European countries and the rest of the world

Agreement partners	Duration (signature)	Type of agreement
U. S. S. R.-Austria		
U. S. S. R.-Belgium	May 1 (Nov. 15), 1950, to Apr. 30, 1951.	Protocol to February 1948 trade and payments agreement.
U. S. S. R.-Denmark	July 27, 1950, and Aug. 10, 1950.	Barter agreements.
	July 1 (July 8), 1948, to Dec. 31, 1949.	Protocol to agreement of July 19, 1946.
U. S. S R -France		
U. S. S. R.-Greece		
U. S. S. R.-Iceland	No renewal of 1946 agreement.	
U S. S. R.-Ireland		
U. S S. R.-Italy	Dec. 11, 1948, to Dec. 31, 1951.	Trade and payments agreement.
	do	Investment agreement.
	October (Sept. 12), 1950, to February 1951.	Grain contract within framework of investment agreement.
U. S. S. R.-Netherlands	June 10 (July 2), 1948 to 1953	First postwar trade payments and investment agreement. No annual schedules for later years; most recent reports concern two contracts signed December 1950, presumably within framework this agreement
U. S. S. R -Norway	Jan. 1 (Jan. 10), 1949, to Dec. 31, 1949.	Protocol to agreement of December 1946; replaces protocol of January 1948
U. S. S. R.-Portugal		
U. S. S. R -Sweden	Jan. 1 (Apr. 2), 1949, to Dec. 31, 1949.	Protocol to trade and payments agreement of October 1946; replaces protocol of January 1948.
	October 1946 to Dec. 31, 1951	Investment and credit agreement.
U. S. S. R.-Switzerland	Apr. 1 (Mar 17), 1948, to April 1949; extended to Dec 1949. Investment schedules Apr. 1, 1948 to 1951.	First postwar trade and payments agreement with investment protocol—deliveries to 1951.
U. S. S. R.-Turkey		
U. S. S. R.-United Kingdom	Dec 27, 1947 to 1951	First postwar trade, payments and investment agreement. Soviet deliveries. February to September 1948; United Kingdom deliveries: 1948 to 1951. Trade contracts regarding grain deliveries, September 1949 and November 1950; timber deliveries June 1950.
U. S. S. R.-West Germany		
Bulgaria-Austria	July 1 (June 29), 1950 to June 30, 1951.	Protocol to trade and payments agreement of December 1948.
Bulgaria-Belgium	April 21, 1949, to April 21, 1950.	Renewal protocol to trade and payments agreement of April 1947 automatically renewable unless denounced. No data, new quotas, or termination.

List of most recent trade agreements between eastern European countries and the rest of the world—Continued

Agreement partners	Duration (signature)	Type of agreement
Bulgaria-Denmark	May 9, 1947 to May 9, 1948	First postwar trade and payments agreement; automatically renewable unless denounced.
Bulgaria-France	June 15 (June 10), 1947, to June 15, 1948	Trade and payments agreement, no renewal clause.
Bulgaria-Greece		
Bulgaria-Iceland		
Bulgaria-Ireland		
Bulgaria-Italy	Nov. 1948 to Nov. 1949	Renewal protocol to trade and payments agreement (with investment protocol) Dec. 30, 1947
Bulgaria-Netherlands	Jan. 1, 1950, to Dec. 31, 1950	Renewal protocol to trade and payments agreement of June 4, 1947, replaces protocol of March 1949. Automatically renewable unless denounced.
Bulgaria-Norway		
Bulgaria-Portugal		
Bulgaria-Sweden	October (Sept 22), 1947, to December 1948.	Trade and payments agreement automatically renewable unless denounced. Agreement still in effect.
Bulgaria-Switzerland	Jan. 1 (Nov. 9, 1948), 1949 to Dec. 31, 1949.	Protocol to agreement of Dec 4, 1946.
Bulgaria-Turkey	Apr. 15 (Mar. 27), 1942. Indefinite.	No renewal clause.
Bulgaria-United Kingdom		
Bulgaria-West Germany	July 1 (July 28), 1950, to Mar. 31, 1951.	Protocol to trade and payments agreement of October 1947. Replaces protocol of August 1949.
Czechoslovakia-Austria	(Dec 10, 1950) to Oct. 31, 1951	Renewal protocol to trade and payments agreement of October 1948. Replaces protocol of July 1949.
Czechoslovakia-Belgium	Oct 1 (Nov. 30), 1949, to Dec. 31, 1950.	Trade and payments agreement Replaces agreement of April 1948 Automatically renewable.
Czechoslovakia-Denmark	Dec. 1 (Dec. 17) 1949, to Nov. 30, 1950.	Trade and payments agreement. Replaces agreement of September 1948 and payments agreement of November 1945 with protocol of September 1946. Automatically renewable for 1 year unless denounced.
Czechoslovakia-France	May 1 (June 2) 1950, to Apr. 30, 1951.	Trade and payments agreement. Replaces agreement of August 1948.
Czechoslovakia-Greece	August 1948 to August 1949	Renewal protocol to July 1947 agreement.
Czechoslovakia-Iceland	May 1 (May 19), 1950, to Apr. 30, 1951.	Trade and payments agreement. Replaces agreement of February 1949. Monetary agreement of Feb. 23, 1946, remains in force with modification.
Czechoslovakia-Ireland		
Czechoslovakia-Italy	(July 2) 1947, to Dec. 31, 1947	Compensation agreement containing no quotas. Automatically renewed for 3-month period unless denounced.
Czechoslovakia-Netherlands	Aug. 1 (July 29), 1950, to July 31, 1951	Trade and payments agreement. Replaces agreement of May 1949.
Czechoslovakia-Norway	Oct. 1 (Nov. 4), 1950, to Sept. 30, 1951.	Renewal protocol to trade and payments of Mar. 20, 1947. Replaces protocol of March 1949. Automatically renewable unless denounced.
Czechoslovakia-Portugal		
Czechoslovakia-Sweden	Feb. 1 (Mar. 30), 1950, to Jan. 31, 1951.	Protocol to trade and payments agreement of November 1945. Replaces protocol of February 1949.
Czechoslovakia-Switzerland	Jan. 1, 1950, to Dec. 31, 1950	Annual protocol within framework of December 1949 agreement.
	Jan. 1 (Dec 22, 1949), 1950, to Dec. 31, 1954.	Trade and payments agreement Replaces agreement of September 1948.
Czechoslovakia-Turkey	July 1, 1950, to June 30, 1951	Protocol to trade and payments agreement of July 1949 Tacit renewal.
Czechoslovakia-United Kingdom.	July 1 (June 22), 1950, to June 30, 1951.	Protocol within framework of September 1949 agreement. Replaces protocol of September 1949
	Sept. 28 (Sept. 28), 1949, to June 30, 1954.	Long-term framework trade agreement. Payment agreement Aug. 19 (Aug. 18), 1949 to August 1953.
Czechoslovakia-West Germany	Oct. 1 (Oct. 24), 1949, to Sept. 30, 1950.	Trade and payments agreement.
East Germany-Austria	(November) 1950 to May 1951	Barter agreement with Austrian steel plants.

List of most recent trade agreements between eastern European countries and the rest of the world—Continued

Agreement partners	Duration (signature)	Type of agreement
East Germany-Belgium	Nov. 10, 1947, to Nov. 9, 1948; extended to Feb. 9, 1950.	Trade and payments agreement; negotiations for new agreement postponed indefinitely in February 1950
East Germany-Denmark	Jan. 1, 1949 (Dec. 20, 1948) to Dec. 31, 1949.	First postwar trade and payments agreement. No new agreement expected.
East Germany-France		
East Germany-Greece		
East Germany-Iceland		
East Germany-Ireland		
East Germany-Italy	June 1949—indefinite	Interim agreement pending conclusion of new agreement.
East Germany-Netherlands	July 30, 1949, to June 30, 1950	Trade and payments agreement; replaces agreement of June 1948. No new agreement expected.
East Germany-Norway	Jan. 1 (Oct. 25, 1948), 1949, to Dec. 31, 1949. Not renewed.	Renewal protocol to agreement of February 1947.
East Germany-Portugal		
East Germany-Sweden	July 1 (July 19), 1949, to June 30, 1950.	Trade and payments agreement. Replaces agreement of June 1948.
East Germany-Switzerland	Dec. 10 (Dec. 1), 1948, to Dec 31, 1949.	Trade and payments agreement. Replaces agreement of July 1947.
East Germany-Turkey		
East Germany-United Kingdom		
East Germany-West Germany	Oct. 8 (Oct. 8), 1949, to Sept. 30, 1950; extended to Mar. 31, 1951.	Trade and payments agreement.
Hungary-Austria	Sept. 1 (Sept. 22), 1950, to Aug. 31, 1951.	Protocol to agreement of March 1948, replaces protocol of Sept. 1, 1949. Automatically renewable.
Hungary-Belgium	Feb. 18 (Feb. 18), 1949, to February 1950 extended to Apr. 18, 1950.	Trade and payments agreement. Replaces agreement of Apr. 23, 1947. Automatically renewable.
Hungary-Denmark	Mar. 1 (Feb. 24), 1950, to Feb. 28, 1951.	Protocol to agreement of Mar. 1, 1949.
Hungary-France	Nov. 1 (Dec. 2), 1949, to Oct. 30, 1950, extended to Jan. 31, 1951; supplemental June 12, 1950.	Trade agreement; replaces agreement of November 1947 with modified payments provisions. Automatically renewable.
Hungary-Iceland	June 1 (May 30), 1950, to May 31, 1951.	First postwar trade agreement.
Hungary-Italy	Jan. 1 (Feb. 9), 1950, to Dec. 31, 1950.	Protocol to trade and payments agreement of December 1948.
Hungary-Netherlands	June 1 (May 31), 1950, to May 31, 1951.	Trade and payments agreement; replaces agreement of January 1949.
Hungary-Norway	(Jan. 28), 1950, to Jan. 31, 1951	Protocol of trade and payments agreement of August 1946; replaces agreement of November 1947.
Hungary-Sweden	Dec. 1 (Nov. 30), 1949, to Nov. 30, 1950.	Protocol to trade and payments agreelment of June 1946; replaces protocoof October 1948.
Hungary-Switzerland	July 1 (June 27), 1950, to June 30, 1951.	Annual protocol within framework of long-term trade and payments agreement of June 1950
	July 1 (June 27), 1950, to June 30, 1955.	Long-term trade and payments agreement. Replaces agreement of April 1946 and protocol of October 1948
Hungary-Turkey	June 1 (May 12), 1949, to May 31, 1950.	Trade and payments agreement; negotiations for new agreement reported late 1950. No quotas.
Hungary-United Kingdom	Aug. 1 (Aug. 9), 1947, to July 31, 1950.	Trade and payments agreement. Latest schedules available for August 1948 to 1949.
Hungary-Western Germany	Jan. 1, 1951 (Nov. 22, 1950), to Dec. 31, 1951	Protocol to trade and payments agreement of October 1949.
Poland-Austria	Aug. 1 (Aug. 1), 1950, to July 31, 1951	Trade and payments agreement; replaces agreement of July 1949.
Poland-Belgium	Apr. 13 (Apr. 13), 1950, to Apr. 12, 1951	Trade and payments agreement; replaces agreement of Nov. 1, 1948
Poland-Denmark	Oct. 1 (Nov. 30), 1950, to Sept. 30, 1951.	Trade agreement.
Poland-France	Dec. 29, 1948 (Jan. 1, 1949), to Dec. 31, 1949.	Trade and payments agreement; replaces agreement of August 1947. Negotiations for 1950 agreement broken off and reports received December 1950 indicate no new agreement expected
	May 27 (Mar. 19), 1948, to Dec. 31, 1952.	Protocol modifying and implementing long-term agreement of August 1947.
Poland-Greece		

List of most recent trade agreements between eastern European countries and the rest of the world—Continued

Agreement partners	Duration (signature)	Type of agreement
Poland-Iceland	Jan 1 (Nov. 18), 1950, to Dec. 31, 1950.	Trade and payments agreement. Replaces agreement of July 1948. Negotiations in progress.
Poland-Ireland		
Poland-Italy	July 1 (July 15), 1949, to June 30, 1952. Schedules to June 30, 1950, extended to Sept. 30, 1950, Dec. 31, 1950	Trade and payments agreement; replaces agreement of Dec. 27, 1947.
	Nov. 1 (July 23), 1949, to Nov. 1, 1952	Investment agreement.
Poland-Netherlands	Mar. 22 (Mar. 22), 1950, to Dec 31, 1950	Replaces agreement of January 1949.
Poland-Norway	Jan 1, 1950 (Dec. 21, 1949), to Dec. 31, 1950, extended to June 30, 1951.	Protocol to trade and payments agreement of January 1949.
Poland-Portugal		
Poland-Sweden	Nov. 1 (Oct. 31) 1950, to Oct. Oct. 31, 1951.	Protocol to trade agreement of March 1947 replaces protocol of October 1949.
	Mar. 19, 1947, to 1952; extended to June 2, 1953	Long-term investment agreement.
Poland-Switzerland	July 1, 1950, to June 30, 1951	Protocol to 5-year framework trade and payments agreement of July 1949.
	July 1 (June 26), 1949, to June 30, 1954.	Long-term trade payment and investment agreement. Replaces agreement of March 1946.
Poland-Turkey	Aug. 1 (July 18), 1948, to July 31, 1949, extended 1 year to July 31, 1950.	First postwar trade and payments agreement.
Poland-United Kingdom	(Mar. 17) 1950 to Dec. 31, 1950	Annual protocol within framework of 5-year trade agreement of Jan. 14, 1949.
	Jan. 14, 1949, to Dec. 31, 1953	Framework long-term trade agreement.
Poland-West Germany	July 1 (Oct. 9), 1950, to June 30, 1951.	Protocol to trade agreement of July 5, 1949. Payments agreement of Aug. 1 (June 30), 1949, to July 31, 1950, apparently extended.
Rumania-Austria	Apr 17 (July 12), 1950, to Apr. 16, 1951.	First postwar trade and payments agreement.
Rumania-Belgium	Sept. 3, 1948, to Sept. 2, 1949, reported tacitly renewed for year	Trade and payments agreement.
Rumania-Denmark	Aug. 3, 1949	First postwar trade and payments agreement.
Rumania-France	July 15 (July 6), 1946, to completion.	Trade and payments agreement.
Rumania-Greece		
Rumania-Iceland		
Rumania-Ireland		
Rumania-Italy	Dec. 20 (Nov. 25), 1950, to Dec 19, 1951.	Trade and payments agreement. Replaces exchange of notes of December 1947.
Rumania-Netherlands	Preliminary agreement to replace agreement of December 1947.	
Rumania-Norway		
Rumania-Portugal		
Rumania-Sweden		
Rumania-Switzerland	Nov. 4 (June 29), 1946, to June 30, 1947, supplemented Feb. 7, 1947.	Trade and payments agreement—no quotas.
	Credit protocol, Mar. 4, 1947, to March 1950.	Credit protocol.
Rumania-Turkey	Negotiations reported in late 1950	
Rumania-United Kingdom		
Rumania-West Germany		
U. S. S. R.-Afghanistan	July 1 (July 17), 1950, to June 30, 1951.	Annual protocol within framework of long-term agreement.
	July 1 (July 17), 1950, to June 30, 1954.	Long-term trade and payments agreement Annual quotas.
U. S. S. R.-Egypt	December 1950	Barter agreement.
U. S. S. R.-India	February 1949 and April 1949	Do.
U. S. S. R.-Iran	Nov. 10 (Nov. 4), 1950, to Nov. 10, 1951.	Protocol to 1940 commercial and navigation agreement.
Bulgaria-Egypt	Apr 6 (Apr. 6), 1950, to Apr. 5, 1951.	Trade and payments agreement.
Bulgaria-Israel	(October 1950)	Trade agreement.
Czechoslovakia-India	Apr. 1 (Apr. 5), 1950, to Mar. 31, 1951.	Do.
Czechoslovakia-Israel	(Mar. 20, 1950) to March 1951	Do.

List of most recent trade agreements between eastern European countries and the rest of the world—Continued

Agreement partners	Duration (signature)	Type of agreement
Czechoslovakia-Pakistan	Jan. 15 (Dec. 30, 1949), 1950, to Dec. 31, 1950.	Trade agreement.
Hungary-Egypt	Feb. 26 (Jan. 20), 1949, to Feb. 25, 1950.	Trade and payments agreement.
Hungary-India	(Apr. 8) 1949 to Dec. 31, 1949	Trade agreement.
Hungary-Israel	Feb. 12 (Feb. 6), 1950, to Dec. 31, 1950.	Do.
Hungary-Pakistan	(Oct. 9, 1950) to Dec. 31, 1951	Trade agreement.
Poland-Egypt	(Nov. 17, 1950) to Dec. 31, 1951	Protocol to trade and payment agreement of July 1949.
Poland-India	July 1 (Apr. 22), 1949, to June 30, 1950.	Trade agreement.
Poland-Israel	May (May 20), 1949, to Dec. 31, 1950.	Trade and payments agreement.
Poland-Pakistan	July 1 (July 5), 1950, to June 30, 1951.	Protocol to trade agreement of July 1949.
Rumania-Israel	(August 1950)	Trade agreement.
Bulgaria-Argentina	July 1, 1949, to June 1, 1950	Annual protocol to trade and payments agreement of May 1949.
	May 23 (May 18), 1949, to May 23, 1953.	Long-term trade and payments agreement. Annual quotas.
Czechoslovakia-Argentina	Aug. 13 (July 29), 1949, to Aug. 13, 1950.	Protocol to trade agreement of July 2, 1947.
Czechoslovakia-Brazil	May 17 (May 17), 1950 to May 16, 1952.	Trade and payments agreement.
Czechoslovakia-Chile	May 19, 1947; agreement never ratified.	
Czechoslovakia-Mexico	(Oct. 20, 1950)	Trade protocol to payments agreement of September 1947.
	Nov. 9, 1949, to Dec. 31, 1954	General most-favored-nation agreement; no quotas.
Czechoslovakia-Paraguay	(June 1949)	Barter agreement.
Czechoslovakia-Uruguay	1949 agreement never ratified	
Czechoslovakia-Venezuela	Nov. 27, 1947, agreement extended to June 22, 1950.	Commercial modus vivendi. No quotas.
Hungary-Argentina	May 5 (May 15), 1950, to May 14, 1951.	Protocol to trade and payments agreement of July 1948. Replaces December 1948 agreement. Annual quotas.
	July 29 (July 14), 1948, to Dec. 31, 1952.	Long-term framework trade and payments agreement.
Hungary-Brazil	1948 agreement never ratified	
Poland-Argentina	Dec. 22 (Dec. 7), 1948, to Dec. 31, 1951.	Long-term trade and payments agreement. Annual quotas. Latest information, November 1950, concerns coal contract.
Rumania-Argentina	Oct. 10, 1947, to July 31, 1950	Long-term trade, payments, and credit agreement. Annual quotas for Argentina.

List of latest trade agreements between Yugoslavia and countries of western Europe

Agreement partners	Duration (signature)	Type of agreement
Yugoslavia-Austria	Jan. 1 (Feb. 13), 1951, to Dec. 31, 1951.	Protocol to trade and payments agreement of August 1948. Replaces protocol of November 1949.
	Jan. 1, 1951 (Oct. 12, 1950) to Dec. 31 ,1955.	Credit agreement.
Yugoslavia-Belgium	Nov. 8 (Nov. 8), 1950, to Nov. 7, 1951.	Protocol to trade and payments agreement of September 1948 extended to November 1950.
	Nov. 8 (Nov. 8), 1950, to Nov. 7, 1955.	Credit agreement.
Yugoslavia-Denmark	Oct. 1 (Oct. 16), 1950, to Sept. 30, 1951.	Protocol to trade and payments agreement of June 1947. Replaces protocol of April 1949.
Yugoslavia-France	May 21 (May 1), 1949, to May 21, 1950; extended to Aug. 21, 1950; extended to Dec. 31, 1950.	Trade and payments agreement. Replaces agreement of May 1948.
Yugoslavia-Greece		
Yugoslavia-Iceland		
Yugoslavia-Ireland		
Yugoslavia-Italy	Aug. 4 (Aug. 4), 1950, to Aug 3, 1951.	Protocol to trade agreement of April 28, 1947, protocol of August 1949.
	Nov 28 (Nov. 28), 1947, to Nov. 28, 1952.	Investment agreement.
	(Dec. 23, 1950)	Reparations agreement.
Yugoslavia-Netherlands	Nov. 1 (Nov. 7), 1949, to Oct. 31, 1950.	Annual protocol within framework of long-term agreement of February 1948.
	Feb. 1 (Feb. 20), 1948, to Jan 31, 1951.	Long-term trade and payments agreement. Annual quotas.
Yugoslavia-Norway	May 1 (May 26), 1950, to Apr. 30, 1951.	Protocol to trade and payments agreement of August 1946. Replaces protocol of April 1949.
	Jan. 1 (Feb. 12), 1951, to Dec. 31, 1955.	Credit agreement.
Yugoslavia-Portugal		
Yugoslavia-Sweden	Apr. 15 (Aug. 19), 1950, to June 30, 1951.	Annual protocol within framework of long-term agreement of April 1947. Replaces protocol of May 1949 with supplement of December 1949.
	Apr. 15 (Apr. 12), 1947, to Apr. 15, 1954.	Long-term trade payments and credit agreement.
Yugoslavia-Switzerland	Jan. 1 (Apr. 1), 1950, to Dec. 31, 1950.	Annual protocol within framework of long-term agreement of September 1948.
	Oct. 1 (Sept. 27), 1948, to Sept. 30, 1953.	Long-term trade payments and credit agreement.
Yugoslavia-Turkey	Jan. 5 (Jan. 5), 1950, to June 30, 1951.	Trade and payments agreement. Replaces agreement of October 1947.
Yugoslavia-United Kingdom	Jan. 1, 1951, to Dec. 31, 1951	Annual protocol within framework of long-term agreement of Dec. 26, 1949.
	Jan. 1 (Dec. 26, 1949), 1950, to Dec. 31, 1954.	Long-term trade and payments agreement.
	(December 1950)	Credit agreement.
Yugoslavia-Germany (western zone).	Aug. 11 (Aug. 11), 1950, to June 1952.	2-year contract (lumber for transportation equipment).
	Jan. 1 (Sept. 23, 1950), 1951, to 1956.	Credit agreement.
Yugoslavia-Finland	Oct. 1 (Sept. 12), 1949, to Dec. 31, 1950.	Protocol to trade and payments agreement of October 1948.

List of latest trade agreements between Yugoslavia and non-European areas

Agreement partners	Duration (signature)	Type of agreement
LATIN AMERICA		
Yugoslavia-Argentina	Jan. 1 (Jan. 20), 1950, to Dec. 31, 1950.	Protocol to agreement of June 1948.
	June 8 (June 7), 1948, to Dec. 31, 1951.	Long-term trade and payments agreement.
Yugoslavia-Brazil	Feb. 25 (Feb 24), 1950, to Feb. 23, 1951.	Trade and payments agreement.
Yugoslavia-Mexico	March 1 (March 17), 1950, to Feb. 28, 1951.	Trade agreement.
Yugoslavia-Paraguay	Jan. 27 (Jan. 17), 1950, to Jan. 26, 1952	Trade and payments agreement.
Yugoslavia-Peru	July 26 (July 26), 1950, to July 25, 1951.	Do.
Yugoslavia-Uruguay	Jan 1 (Jan. 5), 1950, to Dec. 31, 1950.	Do.
NEAR AND MIDDLE EAST		
Yugoslavia-Egypt	Aug. 7 (Aug. 7), 1950, to Aug. 6, 1951.	Do.
Yugoslavia-India	Mar. 22 (Dec 29, 1948), 1949, to Mar. 21, 1950.	Trade agreement.
Yugoslavia-Israel	Jan. 1 (Jan. 30), 1951, to Dec. 31, 1951.	Trade agreement. Replaces agreement of November 1949.
Yugoslavia-Pakistan	Apr. 1 (Feb. 19), 1949, to Mar. 31, 1950	Trade agreement.
FAR EAST		
Yugoslavia-Indonesia	Nov. 1 (Feb. 1), 1949, to Oct. 31, 1950.	Do.

List of latest trade agreements between Finland and countries of the Soviet sphere

Agreement partners	Duration (signature)	Type of agreement
Finland-U. S. S. R	Jan 1 (Dec. 2), 1951, to Dec. 31, 1951.	Annual protocol within framework of long-term agreement. Replaces protocol of June 1950.
	Jan 1 (June 13, 1950), 1951, to Dec 31, 1955.	Long-term trade and payments agreement
Finland-Bulgaria	Jan. 1 (Jan. 15), 1951, to Dec. 31, 1951.	Annual protocol within framework of long-term agreement. Replaces protocol of March 1950.
	Oct. 6 (Oct. 6), 1948, to Dec. 31, 1951.	Long-term trade and payments agreement. Annual quotas.
Finland-Czechoslovakia	Oct. 1 (Oct. 20), 1950, to Sept. 30, 1951	Protocol to trade and payments agreement of May 1, 1946.
Finland-Hungary	Jan 1 (Nov 25, 1950), 1951, to Dec 31, 1951.	Annual protocol within framework of long-term agreement. Replaces protocol of September 1949
	Oct. 1 (Sept 25), 1948, to Dec. 31, 1951.	Long-term trade and payments agreement.
Finland-Poland	Jan. 1 (Jan. 9), 1951, to Dec. 31, 1951.	Protocol to agreement of February 1948. Replaces agreement of December 1949.
Finland-Rumania		
Finland-Eastern Germany	Oct. 1 (Oct. 15), 1949, to Sept. 30, 1950.	Protocol to trade and payments agreement of September 1948.

List of latest trade agreements between Finland and countries of Western Europe

Agreement partners	Duration (signature)	Type of agreement
Finland-Austria		
Finland-Belgium	Jan. 1 (Jan 14), 1951, to Dec. 31, 1951.	Protocol to trade and payments agreement of November 1945. Replaces protocol of November 1948 with extensions of November 1949 and May 1950.
Finland-Denmark	July 1 (July 8), 1950, to June 30, 1951.	Protocol to trade and payments agreement of June 1945. Replaces protocol of March 1949 with supplement of January 1950
Finland-France	June 1 (May 25), 1950, to May 31, 1951.	Trade agreement. Replaces agreement of May 1949
	July 1 (May 25), 1950 to (?)	Payments agreement.
Finland-Greece	Mar. 24 (Apr. 11), 1950, to Mar 23, 1951.	Protocol to trade and payments agreement of March 1949.
Finland-Iceland	Mar 1 (Mar. 6), 1950, to Feb. 28, 1951.	Trade and payments agreement.
Finland-Ireland		
Finland-Italy	Nov. 1 (Nov. 1), 1949, to indefinite period	First postwar trade and payments agreement.
Finland-Netherlands	July 1 (June 29), 1950, to June 30, 1951.	Protocol to trade and payments agreement of June 1947. Replaces protocol of July 1949
Finland-Norway	Nov 1 (Oct. 25), 1950, to Oct. 31, 1951	Trade agreement and protocol to 1946 credit agreement
Finland-Portugal	Jan 1 (Jan. 12), 1950, to Dec. 31, 1950.	Trade and payments agreement.
Finland-Sweden	Apr. 1 (Mar. 29), 1950, to Mar. 31, 1951.	Protocol to trade and payments agreement of February 1947.
Finland-Switzerland	Sept 1 (Aug. 16), 1950, to Aug. 31, 1951.	Protocol to agreement of September 1940. Replaces agreement of August 1948
Finland-Turkey	June 20 (June 12), 1948, to June 1, 1949.	Trade and payments agreement. Replaces agreement of May 1946. Automatically renewable unless announced. No quotas
Finland-United Kingdom	(Mar 13, 1950) Dec 31, 1950	Trade and payments agreement.
	(January 1951)	Credit agreement.
Finland-Western Germany	Jan 1 (Dec 23, 1950), 1951, to Dec 31, 1951.	Protocol to trade and payments agreement of February 1949. Replaces agreement of December 1949
Finland-Yugoslavia	Oct. 1 (Sept. 12), 1949, to Dec 31, 1950.	Protocol to trade and payments agreement of October 1948.

List of latest trade agreements between Finland and non-European countries

Agreement partners	Duration (signature)	Type of agreement
LATIN AMERICA		
Finland-Argentina	(Mar. 2, 1951)	Protocol within framework of long-term agreement of July 1948. Replaces protocol of September 1949.
	July 8, 1948, to Dec. 31, 1952	Long-term trade, payments and credit agreement.
Finland-Colombia	(Mar. 24, 1949)	Trade agreement.
Finland-Uruguay	Jan. 1 (Dec. 27, 1949), 1950, to Dec. 31, 1950.	Do.
NEAR AND MIDDLE EAST		
Finland-India	Jan. 1 (Jan. 10), 1951, to Dec. 31, 1951.	Do.
Finland-Israel	Nov. 16 (Nov. 15), 1950, to Nov. 15, 1951.	Trade and payments agreement. Replaces agreement of August 1949.
FAR EAST		
Finland-Japan	August 1 (June 21), 1949, to July 31, 1950, extended indefinitely.	Trade agreement.

Summary of bilateral trade agreements between countries of the Far East, the Near East and Africa, and the American Republics including Canada

1. BETWEEN COUNTRIES OF THE FAR EAST

Partners	Period [1]	Special provisions
Japan-Australia, Ceylon, India, New Zealand, and United Kingdom and Colonies (except Hong Kong).	July 1, 1950, to June 30, 1951	Over-all payment agreement for the entire sterling area from May 31, 1948, until peace is concluded.
Japan-Burma	(Mar. 21, 1950) Jan. 1 to Dec. 31, 1950.	Included over-all sterling area payments agreement of 1948.
Japan-Hong Kong	Calendar year 1950	
Japan-Indochina	(June 9, 1949) 1 year from Mar. 1, 1949. Indefinite extension.	Included in agreement with French Union.
Japan-Indonesia	(June 30, 1950) July 1, 1950, to June 30, 1951.	Payments arrangement.
Japan-Korea	(June 8, 1950) Apr. 1, 1950, to Mar. 31, 1951.	Do.
Japan-Philippines	July 1, 1950, to June 30, 1951	Do.
Japan-Ryuku	(Dec. 13, 1949) 1 year from July 1, 1949.	Do.
Japan-Taiwan (Formosa)	(Sept 6, 1950) July 1, 1950, to June 30, 1951.	
Japan-Thailand	(Mar. 31, 1950) 1950 calendar year.	Swing account system.
Australia-Indonesia	October 1950 to September 1951	

2. BETWEEN COUNTRIES OF THE FAR EAST AND COUNTRIES OF THE NEAR EAST AND AFRICA

Partners	Period [1]	Special provisions
Japan-India	(See above Japan—sterling area trade and payments agreement).	
Japan-Pakistan	Oct. 1, 1950, to Sept. 30, 1951	Included over-all sterling area payments agreement of 1948.

3. BETWEEN COUNTRIES OF THE FAR EAST AND THE AMERICAN REPUBLICS

Partners	Period [1]	Special provisions
Australia-Argentina	(Apr. 5, 1950) Apr. 5, 1950, to June 30, 1951.	Payments arrangement.
Australia-Brazil	Oct. 24, 1950, to Dec. 31, 1951	
Japan-Argentina	(June 8, 1949) June 22, 1949, to June 21, 1950. Extended to Dec. 31, 1950. In February 1951 extended indefinitely.	Do.
Japan-Brazil	(June 4, 1949) Duration of 1 year and automatic extension for an additional year.	
Japan-Chile	(May 6, 1949)	
Japan-Mexico	(Apr. 12, 1949)	
Japan-Peru	(June 15, 1949) 1 year from June 30, 1949. Extended until conclusion of new agreement.	Do.
Japan-Uruguay	(May 19, 1949) June 1, 1949, to May 31, 1950. Extended indefinitely as of July 1950.	Do.

4. BETWEEN COUNTRIES OF THE AMERICAN REPUBLICS

Partners	Period [1]	Special provisions
Argentina-Bolivia	(Mar. 26, 1947) 5 years	Investment agreement.
Argentina-Brazil	(June 23, 1950) July 1, 1950, to June 30, 1951.	
Argentina-Chile	(Dec. 13, 1946) 5 years from date of ratification. New agreement signed Jan. 27, 1951.	Do.
Argentina-Ecuador	(See hearings)	
Argentina-Peru	(Aug. 22, 1949) 5 years from Sept. 6, 1949.	Investment agreement (3 years). Most-favored-nation treatment.
Bolivia-Paraguay	(July 1950)	Barter agreement.
Brazil-Bolivia	(Feb. 20, 1947) Duration 6 years	Agreement on textile exports.
Brazil-Chile	(Dec. 27, 1946) 6 years from Dec. 26, 1946.	
Brazil-Paraguay	(Jan. 16, 1947) Effective for 6 years from Jan. 16, 1947.	

[1] Date of conclusion in parentheses.

Summary of bilateral trade agreements between countries of the Far East, the Near East and Africa, and the American Republics including Canada—Continued

4. BETWEEN COUNTRIES OF THE AMERICAN REPUBLICS—Continued

Partners	Period [1]	Special provisions
Brazil-Uruguay	(*a*) (May 27, 1949) 5 years when ratified. Treaty of 1933 has been extended to Mar. 31, 1951.	Most-favored-nation treatment.
	(*b*) (Dec. 27, 1946) duration of 6 years.	Textile agreement.
	(*c*) (May 20, 1949) indefinite period.	Payments agreement.
Brazil-Venezuela	Modus vivendi of June 11, 1940, extended to Apr. 2, 1951.	Most-favored-nation treatment.
Chile-Ecuador	(Aug. 4, 1949) Aug. 4, 1949, to Aug. 3, 1950, and provision for renewal on yearly basis.	Most-favored-nation treatment.
Chile-Mexico	Modus vivendi of 1942 extended from July 1, 1950, to June 30, 1951.	Do.
Chile-Peru	(Oct. 17, 1941, and supplement of Dec. 18, 1950.) Effective until abrogated by either party.	
Colombia-Chile	(June 14, 1950) indefinite period	
Colombia-Ecuador	(Apr. 1, 1949) Apr. 1, 1949, to Mar. 31, 1950, and automatic extension for 1 year.	Payments arrangement.
Costa Rica-Canada	Modus vivendi of Nov. 18, 1950. 1 year.	Most-favored-nation treatment
Ecuador-Canada	Modus vivendi of Nov. 10, 1950. From Dec. 1, 1950, to Nov. 30, 1951. Renewable from year to year.	Do.
Honduras-Nicaragua	Effective July 8, 1946	
Mexico-Costa Rica	(Feb. 4, 1946) 10 years from Mar. 16, 1950.	Do.
Mexico-El Salvador	Extension of 1935 modus vivendi. Oct. 3, 1950, to Oct. 2, 1951. New agreement signed Dec. 14, 1950.	Do.
Mexico-Guatemala	(Oct. 12, 1948.) 2 years	Most-favored-nation treatment.
Paraguay-Argentina	(Dec. 20, 1949.) 3 years from January 1950.	Financial agreement.
Peru-Ecuador	(May 31, 1950.) Duration of 1 year after exchange of ratifications and automatically renewable each year.	Most-favored-nation treatment.
Venezuela-Argentina	(Feb. 13, 1948.) 2 years. Extended to May 1950.	
Venezuela-Canada	Modus vivendi of Oct. 11, 1950. 1 year.	Do.
Venezuela-Chile	Modus vivendi of Feb. 6, 1948. Provided for yearly renewals.	

5. BETWEEN THE AMERICAN REPUBLICS AND COUNTRIES OF THE NEAR EAST AND AFRICA

Partners	Period [1]	Special provisions
Argentina-India	(November 1949.) Extended in December 1950.	Barter agreement of wheat for jute.
Argentina-Israel	(Apr. 21, 1950.) Effective May 6, 1950 for 18 months.	Payments agreement.
Chile-Egypt	(1950)	Barter agreement of cotton for nitrates.
Uruguay-Israel	(Sept. 15, 1949.) Duration of 1 year and renewable on yearly basis.	

6. BETWEEN COUNTRIES OF THE NEAR EAST AND AFRICA

Partners	Period [1]	Special provisions
Ceylon-India	1950 calendar year	
Egypt-India	(May 10, 1949) July 1, 1949, to June 30, 1950. Extended to December 1950.	
Egypt-Pakistan	Effective July 1, 1949. New agreement concluded on July 27, 1950.	
Egypt-Saudi Arabia	(May 29, 1949) 1 year. New agreement signed January 29, 1950.	Payments arrangement.

[1] Date of conclusion in parenthesis.

Summary of bilateral trade agreements between countries of the Far East, the Near East and Africa, and the American Republics including Canada—Continued

6. BETWEEN COUNTRIES OF THE NEAR EAST AND AFRICA—Continued

Partners	Period [1]	Special provisions
Egypt-Syria	(Aug. 19, 1950) August 20, 1950, to August 19, 1951. Automatically renewable on a yearly basis.	
India-Afghanistan	Apr 4, 1950, 3 years and provision for 2-year extension.	
India-Pakistan	(Feb 25, 1951) Effective February 26, 1951, for a period of 16 months.	Payments arrangement.
Turkey-Greece	July 21, 1949, to April 1950 and provision for automatic renewal to April 1951.	Do.
Turkey-Israel	(July 4, 1950) duration of 10 months with automatic renewal on an annual basis.	Do.
Union of South Africa-Pakistan	Concluded in 1950	
Union of South Africa-Southern Rhodesia.	(Dec. 6, 1948) effective April 1, 1949.	Interim customs union agreement.

[1] Late of conclusion in parentheses.

Import Controls and Exchange Controls Among Western European Countries Belonging to the Organization for European Economic Cooperation

As indicated in foregoing table, the Western European countries participating in the European recovery program require import licenses. Most of them administer their licensing systems in such a way as to restrict the bulk of their imports.

In July 1949, however, the Organization for European Economic Cooperation adopted as an objective the progressive elimination of quantitative restrictions on imports from other OEEC countries. Since that time, the member countries have, in several steps, removed quatitative restrictions from a high proportion of their intra-European imports. Actual figures for each country, as of November 1950, are shown in the accompanying table.

The method of administering this liberalization varies among countries. In some, importers can obtain items free of quantitative restrictions without applying for a license. In others, they must go through the formality of applying for a license, but all applications are automatically granted.

Exchange is granted freely for importation of the items freed from quantitative restrictions.

It will be noted from the table that all the OEEC countries except three comparatively small ones—Iceland, Norway, and Denmark—have freed at least 60 percent of their private trade imports from quantitative restrictions. This action was taken under an OEEC resolution requiring 60 percent liberalization except by countries whose balance of payment positions did not permit such actionl The three countries mentioned above were relieved of the obligation by forma. action of OEEC because of their unfavorable payments positions.

The total of intra-European private trade imports freed from quantitative restrictions by all countries represent about 70 percent of the total imports of these countries.

Percentage of intra-European imports of OEEC countries free from quantitative restrictions, November 1950

Country	Percentage of liberalized imports	Country	Percentage of liberalized imports
Austria	66	Italy	76
Belgium-Luxemburg	84	Netherlands	63
Denmark	50	Norway	44. 7
France	66	Portugal	61
Germany	65. 5	Sweden	69
Greece	67	Switzerland	86
Iceland	13. 8	Turkey	60
Ireland	65	United Kingdom	86

NOTES

1. Figures include only private imports. Imports on governmental account are not included, since such imports are not subject to quantitative restrictions.
2. Percentages are based on value of imports in 1948, and are calculated by (a) listing commodities which are now freed from quantitative restrictions, (b) determining the value of actual imports of these freed commodities in 1948, and (c) calculating the ratio of 1948 imports of the freed commodities to the total of private imports in 1948.

Source: Prepared in the European Trade Policy Branch of the Economic Cooperation Administration.

SUMMARY OF IMPORT-LICENSE AND EXCHANGE-CONTROL REGULATIONS IN PRINCIPAL FOREIGN COUNTRIES APPLYING TO IMPORTS FROM THE UNITED STATES

[Revised as of January 25, 1951]

In many countries foreign goods may not be imported unless covered by an import license which must be obtained by the importer and in certain cases must have been granted before the order for the goods has been placed. Also in many countries, owing to the extreme scarcity of dollar exchange, the authorities require that an exchange permit be obtained before the goods may be paid for. Before shipping his goods, the exporter should make certain that the importer has obtained these permits, if required. He should insist on being informed as to the identifying number or symbol of the document.

The following tabulation of the import and exchange permits required in foreign countries has been prepared as a general guide to exporters. These regulations apply primarily to goods of United States origin and/or payable in United States dollars.

Country	Is import license necessary?	Is exchange permit required?
Afghanistan	Yes, for most items	Yes.
Anglo-Egyptian Sudan	Yes	Yes.
Arabian Peninsula areas:		
Saudi Arabia	Yes, on almost all commodities	Yes.
Aden, Bahrein, Qatar, Trucial Oman.	Yes	Yes.
Kuwait, Muscat, and Oman, Yemen.	No	No.
Argentina	No; except for a few commodities. 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	Import license carries right to foreign exchange
Austria	Yes, except for a small number of commodities	Yes, approval by Foreign Trade Commission is prerequisite for foreign exchange permit.
Belgium-Luxemburg	Most commodities may be imported under a "declaration in lieu of license." Import license required for items amounting to approximately 30 percent of import trade.	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes	No; import license authorizes purchase of exchange, but is not a guarantee that exchange will be granted.
Brazil	Yes; except for a few products. Dollar import issued only for specified essentials.	Yes.[1]

[1] All exchange transactions amounting to more than 20,000 cruzeiros require an exchange permit from the Banco do Brazil.

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

Country	Is import license necessary?	Is exchange permit required?
British colonies, not specified elsewhere.[2]	Yes	Yes; import license generally assures release of foreign exchange.
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	No; except for butter and certain steel items.	Yes, but system is not intended to restrict trade; permits are freely available from commercial banks and are not required in advance of receipt of goods. Exchange is purchased on the open market.
Ceylon	Yes	Yes.
Chile	Yes; except for an extensive list of articles importable with free-market exchange; must be obtained prior to shipment of goods and copy must be sent to exporter.	Yes; in form of notation on import license, where this is required.
China	Yes	Yes.[3]
Colombia	Yes	Yes.
Costa Rica	No	Yes, for imports with official exchange. No permit required for imports with free-market exchange.
Cuba	No	No.
Czechoslovakia	Yes	Import license automatically provides for allocation of necessary foreign exchange.
Denmark	Yes (with exceptions)	Yes. For goods subject to license, copy of license with customs certification of importation takes place of exchange license.
Dominican Republic	No	No; but all applications for foreign exchange require Government approval which is granted almost automatically for bona fide com mercial transactions.
Ecuador	Yes; must be presented in order to obtain the consular invoice. Some luxury imports prohibited.	Import license carries the right to foreign exchange (Central Bank of Ecuador).
Egypt	Yes; unlicensed imports are subject to confiscation.	Yes.
El Salvador	No	No.
Ethiopia	No; except on products subject to export license in country of origin.	Yes.
Finland	Yes	Yes; import license carries right to foreign exchange.
France	Yes, obtainable for "essentials" only	Issued simultaneously with the import license.
French overseas territories not elsewhere specified.	Yes	Import license carries right to foreign exchange.
Germany	Yes	No; the granting of import license automatically provides for the allocation of foreign exchange.
Greece	Yes; license granted only for limited number of essential products.	Yes; import permit carries right to open a letter of credit.
Guatemala	No, but importation of a few items prohibited.	No.
Haiti	No	No.
Hashemite Jordan Kingdom.	Yes	Yes.
Honduras	No	No.
Hong Kong	Only in the case of certain foodstuffs and other specified imports.[4]	Only in those cases where an import license is necessary.
Hungary	Yes	Yes.
Iceland	Yes	Yes; it is usually issued concurrently with import license, but does not guarantee allocation of exchange, which depends on establishment of priority and availability of foreign exchange.
India	Yes	Yes; however, foreign exchange is automatically released upon presentation of validated import license to exchange bank.
Indochina	Yes	Import license carries right to foreign exchange.

[2] Includes Bermuda, British West Indies, British East and West Africa, British Guiana, British Honduras, Northern and Southern Rhodesia, and minor colonies, protectorates, and trusteeship territories.

[3] Unofficial reports indicate that all transactions in United States dollars were suspended in Shanghai on Dec. 19, 1950.

[4] The complete list of commodities for which an import license is necessary follow: Butter, cheese, margarine, flour, rice and rice products, sugar, meat of all kinds, tin, tin plate, coal, coke, cotton yarn, diamonds, gold, gunny bags, cotton linings and poplin, linen piece goods, lead, cutlery, whisky, beer, manufactured tobacco, glass plate and sheet, iron and steel, zinc and articles manufactured of zinc

Country	Is import license necessary?	Is exchange permit required?
Indonesia	Yes	Yes; all foreign exchange transactions are controlled by the Foreign Exchange Institute.
Iran	No; but prospective imports must come within annual or supplemental quotas; for period ending Mar. 20, 1951 quotas have been lifted on a number of products considered essential.	Yes.
Iraq	Yes; goods exported before license is obtained are confiscated.	Yes; permits are obtained through licensed dealers.
Ireland	For a few products only	Yes.
Israel	Yes	Yes; import license usually carries right to foreign exchange.
Italy	Yes; from Italian Exchange Office except "List A" (mostly industrial raw materials which require only bank "benestare").	Yes; combined with import permit in same document.[5]
Japan	Yes	Import license carries right to foreign exchange.
Korea, Republic of [6]	Yes	Yes.
Lebanon	Yes	Yes.
Liberia	For arms, ammunition, and rice only	No.
Malaya, Federation of	Yes	Yes.
Mexico	Yes. For a specified list of articles	No.
Morocco:		
French zone	Yes	Yes.
Spanish zone	Yes	Import license carries right to foreign exchange.
Tangier (international zone).	No	No.
Netherlands	Yes	Yes ("payment attest").
Netherlands West Indies.	No; except for certain items	Yes.
Newfoundland. (*See* Canada).[7]		
New Zealand	Yes	Import license carries right to foreign exchange.
Nicaragua	No, but importers must register orders with the national bank prior to importation. Presentation of copy of registered order is a prerequisite to issuance of consular invoice and clearance of merchandise through Nicaragua customs.	No registration of import orders authorizes purchase of exchange.
Norway	Yes	An authorization to transfer foreign exchange must be obtained from the Bank of Norway and will usually b noted on the import license.
Pakistan	Yes	Yes; however, foreign exchange is automatically released upon presentation of validated import license to exchange bank.
Panama	No, but a few items subject to quota restrictions.	No.
Paraguay	No	Yes.[8]
Peru	No; but importation of some items from the United States is prohibited.	No.
Philippine Republic	Yes	Pissession of a valid import license entitles holders to exchange cover, under general or specific exchange license, depending on type of transaction.
Poland	Yes	Yes.
Portugal (including the Azores and Madeira).	Yes	Yes.
Portuguese colonies	Yes	Yes.
Rumania	Yes	Yes.
Singapore	Yes	Yes.

[5] The importer buys his dollar exchange on the basis of the daily free market rate.
[6] As a result of the outbreak of hostilities in Korea on June 25, 1950, the status of import and exchange controls is not known. Until that date foreign exchange was purchased by registered importers and approved and users at publicly announced foreign exchange auctions, and, between auctions, from the Korean Foreign Exchange Bank by noncommercial holders of exchange permits and, with the concurrence of the Currency Stabilization Board, by commercial users of foreign exchange holding and import license.
[7] Since March 1949, Newfoundland has been a Province of Canada
[8] Importers must conclude a contract for purchase of exchange with the Bank of Paraguay before purchasing abroad.

Country	Is import license necessary?	Is exchange permit required?
Spain (including the Canary Islands).	Yes; largely limited to essential raw materials.	All imports. The import license, after approval by the Foreign Exchange Institute, insures the release of the corresponding foreign exchange, in accordance with the terms of the license. Special exchange rates are in effect for most import products. Under the regulations of Oct. 22, 1950, part or all the foreign exchange required for most products must be purchased on the Madrid "free market" at the prevailing rate.
Spanish colonies	Yes	Import license carries right to foreign exchange.
Surinam	Yes	Yes.
Sweden	Yes; rigid controls. A few minor products are exempt from import license.	Yes. However, foreign exchange, including dollar exchange, is automatically made available if the import license specifies payment in such currency, and if the license is registered with a foreign exchange bank within 2 months after its issuance.
Switzerland	Import licenses are necessary for about 40 percent of Swiss imports, however, licenses for most of these are granted freely.	No difficulty in regard to exchange.
Syria	Yes	Yes.
Thailand	No; except for passenger cars, motorcycles and certain paint oils.	No.
Turkey	Yes	Yes; special exchange license from the control office; 1 application suffices for both import permit and exchange control purposes.
Union of South Africa (including South West Africa, Basutoland, Bechuanaland, and Swaziland).	Yes. With exception of a few specified imports from soft currency countries all imports are subject to license issued by the Director of Imports and Exports in the Union. Imports from all countries of a long list of "unessential" items are prohibited.	The import license carries right to foreign exchange up to amount expressed in local currency in relative import license.
United Kingdom	Yes, except for a few products	Yes.
Uruguay	Yes; except for essential articles	No; import license, where required, carries 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 license.
Venezuela	No; except for approximately 20 tariff items.	No.
Yugoslavia	Yes	Yes.

Senator MILLIKIN. The facts will be very illuminating at this time I suggest, just as they have been in other inquiries of this kind that we have made.

Now, the Secretary has said that if the United States starts in the direction of restricting trade or in the direction of protectionism, economic isolationism, or of we lead other countries to believe that is what we are going to do, the trends will be reversed, and we will move rapidly in the direction of more restrictions, more bilateralism, more discrimination in world trading conditions.

What is there about this bill that has come from the House that is in the direction of restricting trade which does not injure or seriously threaten the injury of the traders?

Secretary ACHESON. The parts of it that I was pointing out are these combinations of the various things required under the peril-point amendment, and this agricultural amendment, the combination of which would, in our judgment, make the act quite unworkable, and if it is unworkable, if these concessions, these bargains which have been made, are withdrawn, not because of any injury but because of the provisions that I mention, then I think it will have that effect.

Senator MILLIKIN. Let me divert long enough to ask you: It has has been my understanding that you are negotiating some kind of a new deal with Switzerland via escape. Am I correct in that?

Secretary ACHESON. That has been done.

Mr. BROWN. We got the Swiss agreement to put the escape clause in this agreement.

Senator MILLIKIN. Then, with what country—is there a country which does not recognize the escape clause?

Mr. BROWN. We have, I think, nine agreements which do not have a formal escape clause in them.

Senator MILLIKIN. And you are in the process of getting the escape clause in all those agreements?

Mr. BROWN. It is our policy to do that, Senator, We are not presently negotiating because it is a question of timing, and in a lot of those cases there is no problem as far as imports from the country are concerned; for example, some of them deal almost entirely with tropical products.

Senator MILLIKIN. With the exception of those nine countries, where you are working to get escape clauses——

Mr. BROWN. Yes, sir.

Senator MILLIKIN (continuing). All of the other agreements have escape clauses?

Mr. BROWN. That is correct.

Senator MILLIKIN. So that every country with which we deal proceeds on the same theory that we proceed, which the Secretary referred to as being a part of the assurances of both President Truman and President Roosevelt, that there shall be no injury—that it is entirely acceptable that all of the countries involved in this thing shall protect themselves against serious injury or the threat of it; is that not correct?

Mr. BROWN. That is correct, Senator, but the quarrel with the amendments is that they would require action where there would not be injury or threat of injury.

Senator MILLIKIN. All right. We will come to that, but am I correct in what I stated?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. That every nation, either under the present arrangements or under potential arrangements you hope to work out, will come to an express recognition of the fact that no country is required to suffer serious injury or the threat of it in connection with the trade agreements.

Mr. BROWN. I would go further than that, Senator; I would say that has been the philosophy of all these negotiations from the beginning.

Senator MILLIKIN. Good. I want to have it emphasized just as you have, because it shows that is a part of international policy.

Mr. BROWN. Yes, sir.

Senator MILLIKIN. And without going into the details, to the extent we protect ourselves in that way we are not breaking the heart of the world, we are not doing anything to upset international relationships, assuming we do it wisely, and on a sound basis?

Mr. BROWN. That is a very important assumption, Senator.

Senator MILLIKIN. Am I correct? Mr. Secretary, would you agree with that on the assumption I have mentioned?

Secretary ACHESON. Yes, sir.

Senator MILLIKIN. So that the statements here assuming that we administer the thing soundly, and assuming that the provisions themselves are sound, which is the subject of this hearing, that any move of that kind, regardless of how it is phrased or how it may be administered, is some evil, vicious thing that we are trying to put over on the world, and would disturb our international relationships; that, would you not say, is erroneous?

Secretary ACHESON. I do not think I said that at all, Senator.

Senator MILLIKIN. No? Well, I am glad to see that you disassociate yourself with that, so that we come down to the purpose of this hearing, which is to find out whether these provisions are soundly drawn, and what we can guess as to the way they would be administered. If we adopt them they will be administered by your Department, and I do not assume that you would suggest that they would be administered unsoundly or incompetently?

Secretary ACHESON. Of course, the point is they would not be administered by our Department. Many of them are automatically operable. What is done is to put this authority in the hands of the Tariff Commission with a very restrictive provision of law.

Senator MILLIKIN. There is another series of general observations that can be made, other than those that I referred to a while ago, but I do not care to take your time with them. I may question Mr. Brown about them, but I do not want to take the time of the committee and I do not want to take your time.

You say in your statement, Mr. Secretary, that—

> the objectives of those engaged in working on the program, the standard by which they have been guided, has been the commitment of two Presidents that no American industry would knowingly be injured by the use of the authority conferred by the Trade Agreements Act.

That is basically your presentation, is it not?

Secretary ACHESON. That is correct.

Senator MILLIKIN. The State Department can have no logical objection to measures to assure that that would be done?

Secretary ACHESON. Logically that is correct. It all depends on what the measures are. If the measures assure that that will be done by going much further than is necessary it could not be done without interfering with the program.

Senator MILLIKIN. There should be some kind of a mechanism to determine whether injury exists, and if that mechanism is sound there can be no objection to it, can there?

Secretary ACHESON. We believe such mechanism does exist, and I pointed out here if the Congress wishes to go further, there are workable ways in which they can do it.

Senator MILLIKIN. In connection with that statement, I would like to get in more detail the State Department's viewpoint. These particular provisions can be improved, and for our guidance I wish to go into it further with the State Department; I would like to go into more detail as to the improvements.

Secretary ACHESON. Mr. Brown can go into it further with you.

Senator MILLIKIN. So we may have it in black-and-white words. Is there any objection to that?

Secretary ACHESON. No, sir.

Senator MILLIKIN. May I assume that that will be done?

Secretary ACHESON. We will be glad to work with the committee in any way that is desired.

Senator MILLIKIN. I might remind you, Mr. Secretary, that this peril-point business was completely worked out by Mr. Vandenberg and myself to meet the objections in the administration of the reciprocal-trade program. I am only talking about that amendment. I don't know Senator Vandenberg's views as to other amendments. The peril-point amendment was worked out jointly between Senator Vandenberg and myself, and Mr. Clayton I believe was the active participant on behalf of the State Department, for the purpose of removing criticism and complying with these Presidential assurances. There have been only 27 applications for its use and only 1 has been found to justify action by the Tariff Commission. I am talking about the peril point.

Mr. BROWN. You mean the escape clause?

Senator MILLIKIN. Or the escape clause. Only one has been found by the Tariff Commission to justify action. Has that not been, in large part, due to the fact that the executive formula for determining whether there has been an injury turns, in part but importantly, on the question as to whether there has been an unforeseen injury?

Mr. BROWN. I believe the Tariff Commission's document explaining the way it operates under the escape clause says that it presumes that injury is unforeseen, because the whole way in which the concessions have been developed, and in the President's decision, has been on the basis that they would not cause injury.

Senator MILLIKIN. Is that a rebuttable assumption? Let us as-assume it had been foreseen, would the Tariff Commission recognize that?

Mr. BROWN. I think that is an impossible question to answer, Senator, because it just would not come up.

Senator MILLIKIN. Well, it does come up if the injury was not an unforeseen injury, and that has been, I understand, a very important element in the decisions of the Tariff Commission. Am I wrong about that?

Mr. BROWN. The escape clause says, "if, as a result of unforeseen circumstances."

Senator MILLIKIN. Yes.

Mr. BROWN. Now when a recommendation is made to the President that a concession should be made, it is based upon the conclusion of those who advise him that the concession will not, under the circumstances that are known and foreseeable, cause injury, because if they did feel any injury would be caused they would not recommend the concession. I think I am correct in saying that the Tariff Commission makes it clear in the document which it has issued on that subject, that the injury is presumed to be unforeseen.

Senator MILLIKIN. I am pressing then my further question: Is that a rebuttable presumption?

Mr. BROWN. I suppose any presumption is rebuttable as a matter of law, Senator.

Senator MILLIKIN. Then may we say it is a rebuttable presumption?

Mr. BROWN. I would not agree with that. I know that the concessions that are recommended are not recommended if any injury is foreseen.

Senator MILLIKIN. That is, foreseen as of the time of the decision.

Mr. BROWN. Yes, sir.

Senator MILLIKIN. What about it having been foreseen at the time of the agreement?

Mr. BROWN. At the time of the agreement also.

Senator MILLIKIN. Well, then the Tariff Commission is writing several great key words out of the Executive order.

Mr. BROWN. Because of the way in which we operate.

Senator MILLIKIN. Does that add virtue to it?

Mr. BROWN. No, sir, it conforms it to the facts. Maybe in some other countries they do not take the same care we do.

Senator MILLIKIN. Let us keep this straight, because this is important. The directive of the President to the Tariff Commission limits relief, among other things, to unforeseen injuries and the provisions of GATT dealing with unforeseen injuries. Now has the Tariff Commission written that out of the President's directive?

Mr. BROWN. I think it has, sir.

Senator MILLIKIN. Under your own theory of GATT, what right have we to write that out of GATT, under your own theory of GATT?

Mr. BROWN. Because the way in which we operate in the administration of the law renders that word "unforeseen" unnecessary, because we do not recommend or give concessions which we can foresee would create an injury.

Senator MILLIKIN. Would you say that has always been the case?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. It is bad policy for a member of this committee to testify as a witness, but let me remind you that those words were so significant, when we were trying to negotiate an agreement with the executive department on this subject we had a very heated argument, and if Mr. Clayton has left any memos of the conversations we had with him I am sure they would show that we urged that the word "unforeseen" go out, because it implied in some cases there might be foreseen injury. I urged strongly that those words come out, that they were simply confusing, and that, from my viewpoint and I believe also from Senator Vandenberg's viewpoint, we were introducing a false doctrine into the reciprocal trade agreements on the basis of the assurances given here by two Presidents.

Mr. BROWN. We would not object to the elimination of those words, if Congress desired to do so.

Senator MILLIKIN. So as far as this bill is concerned, it would not make the State Department mad if we took the words out?

Mr. BROWN. No.

Senator MILLIKIN. If there were affirmative provisions to the effect that they shall not be considered?

Mr. BROWN. I am not sure I understand what you refer to when you say "they shall not be considered."

Senator MILLIKIN. Well, if you leave the words out and someone might interpret them back in, you have the choice of using the language, or substitute language for it, as far as that is concerned?

Mr. BROWN. May I put our position this way, Senator: We would not object if that particular criterion were stricken.

Senator MILLIKEN. And you would not object if that result were accomplished regardless of the particular language used in the bill, is that correct?

Mr. BROWN. No. We would be interested in commenting on the language, if we had an opportunity to do so.

Senator MILLIKEN. I am suggesting to the Secretary that many, many people have felt that they were either injured or threatened with injury and have not obtained relief before the Tariff Commission because of the theory that the injury was a foreseen injury and that therefore they would be crossed out.

I suggest also that I can produce, I believe, some documents in support of the proposition that at least at one stage of this whole history the Tariff Commission itself was putting weight on whether or not the injury was foreseen. I am glad it has revised its views, and I am very glad to get that out.

Now you quote from an eminent newspaper to the effect:

> The philosophy underlying the peril-point amendment, however, is the philosophy of a country cowering in its corner and unwilling to put its great system of free enterprise to the competitive test.

I am not conscious that, either with or without the peril point, we are cowering in any corner, but assuming, for discussion sake, that we are cowering in a corner, are we cowering any more than any country with which we have a trade agreement?

Secretary ACHESON. There again I think this is on the escape clause.

Senator MILLIKIN. I am talking now about the peril point, where we establish the peril point. Every country under GATT and other agreements we have with them, with the exception of the countries that we are negotiating with, where those particular things may be present, every country must find a point of injury before it escapes.

Secretary ACHESON. That is what I was trying to bring out, Senator, that the escape clause is the one which is common now to this country and others. The peril point is something which we are talking about and, as far as I know, other countries are not talking about. That is fixed to some theoretical point at which this danger would occur. What we are trying to point out here is if you have a provision so that if the injury occurs and if it is corrected, that that is sufficient and that you do not have to predict the point at which it might occur.

Senator MILLIKIN. In one case you try to hold an autopsy and in the other case you try to prevent an autopsy. That is the difference between "peril point" and "escape clause."

If we adopt this language, are you of the opinion that we are cowering in our country and are unwilling to put our free enterprise to the competitive test?

Secretary ACHESON. I do not want to argue a figure of speech.

Senator MILLIKIN. It is very foolish to argue with a newspaper, or particularly its music critics.

Well now, is it not a fact that in connection with the agreements that you negotiated at Annecy the Tariff Commission supplied some 400 peril points—I think I am correct in my figures—some 400 peril points, and that you had no difficulties in it, from the testimony of one of the Commissioners as to the procedure, and that, in fact, you would not come even close to the peril point under the normal procedures of the Tariff Commission. What is the difficulty about it?

Secretary ACHESON. It is correct that peril points were provided in connection with that negotiation. I have no idea of the number.

Senator MILLIKIN. Were there some 400, Mr. Brown?
Mr. BROWN. Yes, sir.
Secretary ACHESON. I think the objection to the concept of the peril point is that over a period of time, if you are required to fix a theoretical point at which you believe injury will occur, the whole tendency is to be overcautious. You must make a prediction. If you are dealing with a particular rate that you want to apply, you apply yourself directly to that, you will have to ask yourself, "Will this one injure somebody," and you can get a clear judgment on that. If you have to predict that at some point to be fixed injury will occur, that becomes almost a guaranty that it will not occur up to that point. Therefore the tendency is to be overcautious, and therefore the tendency is not to use the bill in a way in which we believe it could be used without injury.
Senator MILLIKIN. Now on this question of peril point, I see nothing new in your presentation on the subject, in fact I find it milder than I expected it to be. We have covered it so thoroughly in past hearings that I doubt if much would be served by going into the whole rigmarole with the Secretary.
Now coming to this next amendment, your objection there is that the provision is a superfluous provision. Is that the main point?
Secretary ACHESON. We are now talking about section 7 (c)?
Senator MILLIKIN. Yes.
Secretary ACHESON. Yes, sir.
Senator MILLIKIN. In addition to that, you do not like the criteria which are set out in that section.
Secretary ACHESON. That is correct, Senator.
Senator MILLIKIN. You are willing that we sit in consultation with Mr. Brown, for example, and critically analyze the criteria and perhaps evolve something that would be better?
Secretary ACHESON. Yes, sir.
Senator MILLIKIN. In connection with that criteria, would you be perfectly willing that we take out this unforeseen injury provision which is in the language at the present time so far as escapes are concerned, and which is also in GATT? Do you agree with me?
Secretary ACHESON. That is correct.
Senator MILLIKIN. Of course you are aware of the fact that many industries, regardless of what you may think is the case, feel they are in peril or they are threatened. I suggest you are also aware of the fact that they are uncomfortable under the secrecy of making these agreements on the part of the United States after the first public hearings have been gone through. You are aware of the fact that this committee has legislative jurisdiction in some respect over the Tariff Commission and over this whole subject. I can understand why we cannot disclose anything in advance that would injure our trade, no question about that, but I will renew my claim that there should be no ultimate secrecy between the executive department and the Congress on a subject where we have the exclusive constitutional jurisdiction. The retort to our request for information that it was denied on the ground that it was a secret, Mr. Secretary, I might say was very offensive. It said, in effect, that Senator George could not be trusted with a secret, that Senator Connally could not be trusted with a secret, that Senator Byrd could not be trusted with a secret, or that Senator Johnson of Colorado could not be trusted with a secret, or that

Senator Lucas could not be trusted with a secret, or Senator Taft could not be trusted with a secret, I could not be trusted with a secret, that Senator Butler could not be trusted with a secret, and Senator Martin here, whose tunic could not hold all the medals he has gotten for devotion to his country, could not be trusted with a secret, but—and I don't want to be offensive—Wadleigh and Hiss, who were in the trade agreements section, could be trusted with a secret. That was a very offensive reply, as far as I am concerned, that has been rendered by the Secretary of State. Our feelings were hurt. Will you cooperate with me in that?

Secretary ACHESON. We will give very careful consideration, yes, sir.

Senator MILLIKIN. I hear that so often, and the people are getting so used to that, that I am getting a lot of letters. They say, "Don't give me this 'careful consideration' stuff."

Then you think that this second amendment should possibly be fixed up, not that you would prefer not to have it, but at least it could be made less objectionable to you, assuming that it were improved as much as it can be improved without losing the point that is involved. It would not rouse the State Department to violent wrath and opposition, is that correct?

Secretary ACHESON. In my statement, sir, I said it could be made workable, yes, sir.

Senator MILLIKIN. Now as to this farm support price provision. Are you prepared to discuss the relationship of section 22 to this provision or would you prefer to let that go to Secretary Brannan?

Secretary ACHESON. I would prefer to have Secretary Brannan deal with that.

Senator MILLIKIN. What is wrong with the basic theory of it? Let us assume the virtue of the support price program, let us start out with that assumption—and I doubt if you would get enough votes in Congress to proceed on any other assumption—let us assume the virtue of it, what is the sense of bringing millions of pounds of dried eggs into this country when we have millions of pounds of dried eggs stored under our support program? What is the sense of bringing millions of bushels of potatoes into this country when we have millions of bushels of potatoes stored, or in process of destruction, or in process of being sold at practically nothing? How can we preserve the support price program, assuming it has virtue, when we do not keep things out, when the imports drive the price below the support levels?

Secretary ACHESON. I think Secretary Brannan will point out in detail the answer to your question. I think that there are methods under section 22 by which you can take action in regard to any products where you have restriction on production in this country. I went on in my statement to point out that in these price-support commodities, the export of those articles to our export markets were five times as great as the imports, and, therefore, if you cannot maintain the concessions which we have obtained and are continuing to get on those items you do yourself infinitely more harm and you increase the price support difficulties in this country rather than minimize them.

Senator MILLIKIN. You do point that out, Mr. Secretary, and I suggest you fail to point out why our exports, not only in agricultural products but all the way across the rest of the board, have increased tremendously since we started our ECA, money loan and other aid

policies. Is that not the cause of the exports? Although it may not be the sole cause, isn't that an important cause?

Secretary ACHESON. It is a cause, but this Trade Agreements Act is an important cause also.

Senator MILLIKIN. You would not say that the Trade Agreements Act is responsible for more than a small part of that whole result, would you? If so, I would like you to demonstrate. If you are giving goods away, or doing the equivalent of it, naturally those goods are exported and the recipient of the gift is delighted to receive the goods, and that swells your statistics on exports, and we have engaged, I remind you, Mr. Secretary, in very large operations along that line. My whole point is I doubt whether we can say that the reciprocal trade agreement is an important element in increasing our export giveaways.

Secretary ACHESON. I pointed out the argument, Senator, and, as I said, this is a matter on which Secretary Brannan can respond to you with much more authority than I can.

Senator MILLIKIN. Now you referred, at one point in your talk, to the fact that we had, let us call it, a natural field of exports where we had a clear superiority in the cost of production. I assume you meant our mass production industries, automobiles, and things of that kind. You pointed out also that we have a large hand-labor field of production. I believe the greater part of our industrial economy in this country is made up of the aggregate of little businesses. I call to your mind that in most of it there is a large percentage of hand labor involved, in the operations; in other words, that is a very vital part of our economy. Now when we take steps to increase the imports of those hand-labor products it is very easy to injure seriously, or threaten seriously, our hand-labor business, where that is the predominant element of cost, and that makes up the characteristic industrial set-up of the country. I am talking about the one-factory towns in this country, I am talking about the little pottery factories, the little glassware factories, all those little industries that keep alive the little towns in this country. I don't think there is anything to brag about, Mr. Secretary, if we are increasing the kind of program that will injure or threaten with serious injury that most essential part of our economy. Why do you brag about it?

Secretary ACHESON. Senator, I do not know where you get these alleged statements of mine. What I pointed out in the course of my statement was that American competition is the competition which is feared throughout the world. I pointed out that in some branches of industry where labor was a very high part of the cost that was not the case, and I pointed out that in that branch of the industry we had been particularly careful to avoid injury. I was not bragging about anything, except the fact that we have been very careful not to injure the particular type of business that you were talking about.

Senator MILLIKIN. I am sorry if I have twisted the words out of their meaning. What I am getting at is that we have an inherent strength of export regardless of trade agreements unless foreign practices would exclude us. We have inherent strength of exports in those fields where our mechanical superiority in these mass production fields enables us to get into foreign markets. I might say even there, under the present exchange restrictions and import licenses and quotas and bilateral agreements even that part of our trade has not fully mate-

rialized. But when it comes into this hand-labor field, Mr. Secretary, we not only cannot export, because they can do the same thing abroad, and do it cheaper, but when we import those products—not always, but I suggest, from the lot of testimony we have had, there is either present injury, serious injury to those hand-labor industries, or a serious threat, and it is our desire to protect that kind of business against unfair competition. Not high protectionism. My Lord! It is a long time since I have heard anyone suggest that we go back to logrolling, that we go back to high protectionism. I am talking about safeguards under the principles laid down by President Truman and President Roosevelt, that those principles be carried out. In fact, I think you stated affirmatively that you will fashion your whole program to carry them out. Nevertheless, streams of witnesses come in here, either claiming they are injured or claiming that they are threatened with injury, and that is the thing we are trying to protect against.

Secretary ACHESON. We stand on the record. We do not believe there has been injury. I have given you the figures as to the complaints which have been made and the disposition of them. I said, however, if the Congress wishes to put in some of these provisions we will cooperate with the committee.

Senator MILLIKIN. Now, Mr. Secretary, let me get at this provision as to the imports from Russia and the iron-curtain nations. You do not think that amendment would be wise?

Secretary ACHESON. I do not think it is effective in dealing with what those people that are putting it forward wish to do.

Senator MILLIKIN. Mr. Secretary, could it not be made effective?

Secretary ACHESON. I doubt whether this bars them.

Senator MILLIKIN. The longshoremen will bar them. They will bar the Russian crabmeat and those other things we read about. Why do you think it will not bar them?

Secretary ACHESON. Because it does not purport to bar them so long as you do not withdraw the concession to other countries.

Senator MILLIKIN. Then it is the concession that we make to other countries that gives Russia, under the most-favored-nation clause, the right to send in furs duty free?

Secretary ACHESON. I do not believe this would stop furs from coming in. Now if you want to deal with the prohibition of all imports from Communist countries, that is a matter that has to do with our broad relations in regard to the whole Communist world. So far we have not done that, for various reasons. We have dealt very severely with exports to those countries. Some of the imports from the Communist-controlled world are commodities which we would like to get, others are commodities which are of no particular importance to us. I think that that over-all matter of trade with the Communist area is something which ought to be dealt with as an entity and not hit indirectly in ways like this, particularly when, in doing it, it not only is ineffective but it raises the charge that we are violating treaties. We have particularly insisted that the other side has been violating treaties and then we brought that up against them, and we do not want to be put in the position where it can be returned to us.

Senator MILLIKIN. I suggest there is no reason why we cannot take any protective measures that are open to us. You refrain from taking such protection on the ground that the other man might be made

about it. We cannot have a trade system unless each side protects itself under the terms of the system. We can't sit here and take every affront offered to us on the theory that if we do not accept the affront it will make somebody mad.

Secretary ACHESON. No.

Senator MILLIKIN. Take the case of Czechoslovakia. They were our good friends. We were heavily responsible for the creation of an independent nation in Czechoslovakia. It is a very competent nation in the making of goods, heavy goods and light goods. They are sending glassware and sending pottery over here and I think it is pretty clear that it injures our pottery and glassware industry. Now all the fears, Mr. Secretary, that you can bring to bear on that kind of situation I am suggesting to you cannot be accepted either by those people who are injured, or are threatened to be injured, or by the American people. I think we should not take an adamant position against all of these complaints and against what certainly is public opinion.

Take the case of Czechoslovakia and take the case of glassware and chinaware and pottery and the other things in which they are so skillful and send them into this country, and which our citizens claim are being injurious, they are getting dollar exchange for those products, and they are using that dollar exchange I assume against the best interests of the United States. Why should we be giving dollar exchange to people who are out to do trouble for us?

Secretary ACHESON. Senator, you send a direct shotgun blast with a whole lot of different pellets.

Senator MILLIKIN. There are quite a few pellets in them, and there are quite a few pellets in the hide of the American factories and in the hide of American citizens. Let us not become unsolicitous about those people and perhaps oversolicitous about other people who receive the pellets.

Senator MARTIN. If I might suggest, also the American worker.

Senator MILLIKIN. Oh, yes. I make no invidious suggestion, let us make that clear.

Secretary ACHESON. I just hoped you would say that.

Senator MILLIKIN. When I start to make an invidious suggestion, Mr. Secretary, the words will be so clear that there could be no possible misunderstanding, and I do not use such words.

Secretary ACHESON. Senator, you raised two questions here. One is, is it in the national security interest of the United States to stop this trade. I pointed out a moment ago if it were, then wholly different steps ought to be taken, steps which would be much more drastic than this, because this would not be effective in any way to deal with the national security interests of the United States.

Now the second question is, Does the importation of these materials do harm to Americans. Now that is different from the question as to whether the importer, or the source of origin is Communist or non-Communist. That is a question of national security. Let us deal with whether they are Communist or Socialist, or whatever else they may be, under one basis.

There are plenty of other ways of dealing with the question of injury. If Czechoslovakia, as you mentioned, is dumping products—and there are charges that it is—the Treasury Department examines them. It is now examining four or five items which have been chal-

lenged under the antidumping statute, and appraisals have been stopped and importations have been held up. If there is dumping and it does injury, then it is stopped. If, under the operations of the escape clause, it appears that these importations are injuring American producers, regardless of whether they are manufactured by Communists or anyone else, the concession would be withdrawn.

What I am trying to point out is I do not believe that this amendment either affects the national interest or is warranted for the protection of any producer in the United States.

Senator MILLIKIN. Well, let us take the question of national security. Is it in the interest of national security that we provide dollar exchange for iron-curtain countries, or to Russia?

Secretary ACHESON. No; it is not in the interest of national security, unless you are buying something from those countries. But again I say if it is important to cut that off, we ought to cut it all off. Now you can take steps to do that. I do not believe this will achieve the result which you have in mind.

Senator MILLIKIN. Let us assume it does not achieve the complete desirable result, let us assume that.

Secretary ACHESON. I think it will be an irritant without really producing any result.

Senator MILLIKIN. It will be an irritant, practically speaking, only because it produces results.

Secretary ACHESON. Any irritant in the sense of singling out a country to trade in a different way from other countries, to trade in a way which violates international agreements, will give rise to charges back and forth, and we would get into a situation where it does not help us and does not acomplish any good purpose. If we have to move into this in a broad, vigorous way, all right.

Senator MILLIKIN. I am not now insisting that we move in a broad and vigorous way, I am suggesting that perhaps half a loaf many times is better than none at all. Your basic thought here is that whenever you have a trade agreement under the Trade Agreements Act we should keep it going on the theory of improving free trade throughout the world. How can we maintain any semblance of free trade, how can we further our objective in trying to do business with completely trade controlled countries? Czechoslovakia is one of those, and the other iron curtain countries are in the same position, and Russia is in the same position. I do not like to put double-barreled questions, but how do we help our security by providing dollar exchange, the most desirable thing in all this world economically, how can we help our security by providing it to those who are against us?

Secretary ACHESON. On the latter point, I think I have responded, Senator. It does not help our security. I do not think we have reached the point at which we wish to cut off all the relations of any sort of economic character with the Soviet bloc.

Senator MILLIKIN. You have stated this is only a partial reason. Would you care to make a statement on the whole subject?

Secretary ACHESON. I don't think I can throw any more light on it. So far as this helping free trade between a Communist country and the United States, obviously you can't. That is a state-trading country.

Senator MILLIKIN. I am reminded that at one time we ended our reciprocal trade relations with Germany. That does not argue conclusively it should not be done in this case. I am simply making the point there is no lack of precedent for taking this general type of step.

Secretary ACHESON. That gets into the broad relations between the Western Powers and the Soviet bloc.

Senator MILLIKIN. That involved all of our relationship with Germany at that time, which obviously would be quite different, in many respects, from our relations with the iron-curtain countries.

Secretary ACHESON. Yes.

Senator MILLIKIN. I am not pressing that conclusively, I am merely suggesting that we have a precedent for taking what we think are therapeutic steps with countries that are "agin" us and will be "agin" us. Your point is that this is an inadequate approach to the whole problem, and if we are going to do it let us do it on a broad scale. How would you suggest we do it on a full scale?

Secretary ACHESON. I will say if, as, and when the time comes—and I hope it will not come—when you get in the same situation with the Soviet bloc that you were with Germany, that then you have to cut off trade relations.

Senator MILLIKIN. Take this fur situation, Mr. Secretary. You simply cannot explain to the fur producer in this country, when he is paying taxes to carry on a cold war against Russia, that you should at the same time bring in Russian imports to put him out of business. You can bring all the sophistication in the world to bear on that problem but you cannot explain it to the American citizen, and especially you cannot explain it to those who have been hurt or threatened with hurt. You just can't do it. I am not suggesting it in any mean spirit at all. If you are going to carry on a program to protect ourselves in situations in which we find ourselves, we have got to keep the American people in step with your policies, and we have got to watch at every turn of the road that we are not offending the deep-seated convictions of our people. I am sure you do need a lecture on that subject from me. I do not think it should be said, but I think it bears on the Secretary's argument on this thing.

Secretary ACHESON. I wonder if you wish to go into the fur situation and the reasons for the increase in imports, in the foreign and domestic production. If you do, I think Mr. Brown can go into that. I don't think it has anything to do with the cold war at all. I don't think we ought to mix up things.

Senator MILLIKIN. We are not mixing up anything. When we see several things are happening in this country, I think the expression of some viewpoints is very desirable.

Secondly, there is no mix-up in the general proposition that we are providing dollar exchange to be used against our national-security interests. I don't think there is any mix-up there, Mr. Secretary. I think the mix-up comes from whatever failure there may be to recognize those simple propositions.

Secretary ACHESON. What I was talking about when I mentioned the mix-up are the fur growers in the United States being injured because of any trade agreement? Our answer is "No; they are not."

Senator MILLIKIN. I would say that it is the 100-percent cause of their injury. I don't believe there is anyone who has studied the fur industry who would not say it is a strong contributing factor.

Secretary ACHESON. I think we would take the contrary view, and we can go into the statistics.

Senator MILLIKIN. Obviously, there are a number of things that go into the question of furs. We have got our own domestic taxation on furs, that bears on the number of fur coats and things that people buy, that has a strong bearing on it; and also you have this flow of imports that has a strong bearing. I don't think there is a single, complete solution. Frankly, I can't say that I am objective about this. I think that for me to make a claim of complete objectivity would be probably exaggeration, but I do try to analyze the evidence in these things, and I do not think you can deny the fact that the fur people, the glassware people, the pottery people, for example, have been injured by the imports, and seriously injured, and threatened with continuing injury. Therefore, I suggest it is the duty of the Government, under the philosophy which you promulgated here, to give relief in such cases, and give it promptly and without too much haggling, and without requiring too much effort on the part of the citizen. There are people running around Washington trying to get relief. They are blocked with this unforeseen-injury business. They see 20 cases have come before the Tariff Commission and only one has been granted, and they say, "We are going against loaded dice." Maybe that is wrong. Maybe that is not true; but assuming it is not true, if you have public opinion strongly fixed on an error, it has the force of a fact.

Secretary ACHESON. That is the doctrine that you want me to operate on; is it?

Senator MILLIKIN. I want you to operate on the fact, Mr. Secretary, that we have got to keep this Government in step with the people or we may lose it. I am suggesting in that connection you can't run this business on pretty syllogisms. Sometimes we have to mess up nice charts in order to get along with our bosses.

Secretary ACHESON. We are operating on the principle that we are keeping in step with the American people.

Senator MILLIKIN. For the purposes that are here before us, I will not deny that. For the present purpose in this immediate small context of our common discussion, I would not deny that. I am simply saying you cannot explain this fur business. There is a furman sitting in this room here who comes and tells me, and I go out in my State, where we have a lot of fur farms, and I just cannot bring any ameliorating arguments to bear; and, if I repeat the argument of the State Department, that is just a lot of interesting sophistry. There again the Congress ought not to be criticized. It takes hold of the subject and makes an effort, by specific terms of law, to see that there is no injury and no serious threat of injury, and we give some regard to how our people react. You said, in effect, we must not only do sound things here, but we must keep the other fellow thinking we are doing sound things here. Of course we should. Of course we should; but I think the first proposition we should keep in mind is that we should keep our own people believing it is sound.

As you yourself have pointed out, this may not be a 90-day cold war or a 90-day crisis. The thing may run on for years; and, when this committee insists on putting additional taxes on the American people, it will be a great problem, I suggest, of statemanship, to keep this Government in closer touch with what the people are thinking about.

I thank you, Mr. Chairman, for permitting me to relieve myself of all these observations, which, in part, are irrelevant.

The CHAIRMAN. I expect the Secretary will agree with that remark, in part.

Senator MILLIKIN. I would like to ask this, Mr. Chairman: Is the Secretary going to be around? Will he be available to come back again?

The CHAIRMAN. At a later date.

Senator MILLIKIN. Thank you.

The CHAIRMAN. At a later period that can be worked out.

Senator MILLIKIN. And when will we have the pleasure of discussing this matter with Mr. Brown and with Mr. Thorp?

The CHAIRMAN. Well, we will have Mr. Brown with us daily, probably, and Mr. Thorp will be here later if desired, but we will call the Secretary of Agriculture Monday first, if he can come.

Mr. Springer, will you find out if the Secretary of Agriculture can be on hand Monday morning as the first witness?

Then, Mr. Brown, you will be here to follow up, and there are also a number of individuals who wish to appear.

If there are no further questions Mr. Secretary, we thank you for coming over, and at a later period, after you have returned, if you should get away, we might wish you to come back. We will notify you in time.

Secretary ACHESON. Thank you.

The CHAIRMAN. Thank you very much for your appearance.

I insert for the record the following statements: Letters from G. C. Whipple, chairman of the International Trade Committee, and James L. Donnelly, executive vice president, Illinois Manufacturers' Association, presenting their views on this subject.

(The statements referred to follow.)

THE QUAKER OATS CO.,
Chicago, Ill., February 22, 1951.

Re extension of the Trade Agreements Act.

Senator WALTER F. GEORGE,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

HONORABLE SIR: I am writing you for the purpose of laying before your committee our views on the question of an extension of the Trade Agreements Act and request that the same be made a part of the printed hearings.

We have always felt the necessity of achieving a two-way trade and have, in the past, expressed the conviction that the Hull reciprocal trade-agreements program, as originally conceived, would be beneficial, provided concessions to other countries be made with care and caution. We have always felt the agreements should be made with the purpose of benefiting American trade without paralyzing American industry. In order to accomplish this, it is recognized that trade barriers between countries should be removed, and we felt this could be done through the making of so-called reciprocal trade agreements. It has developed during the past several years, notwithstanding the trade agreements we have made with the various countries, that they have, through various devices such as import licensing, regulations, exchange controls, quotas, and through regulations to protect the development of industries in their own countries, imposed more restrictions to the freedom of international trade than there ever has been known before. Consequently, our so-called reciprocal trade-agreements program is anything but reciprocal.

While our country has made concessions in lowering our tariffs during the past several years, other countries have erected higher trade barriers; thus, while we made concessions, other nations made it increasingly difficult for us to trade with them.

Under the Chief Executive, our State Department and other governmental agencies interested in developing trade agreements seem to be going far afield from the program which we followed up to approximately 4 years ago and are now trying to weave into the trade-agreements theories, provisions and policies taken from the Havana Charter of the ITO, apparently with the object of bringing the United Nations into closer relationship with the trade agreements which we are now making under the Trade Agreement Act.

I want to bring to your attention, Mr. Chairman, and also to the members of your committee, that our Congress refused to ratify the adoption of the Havana Charter of the International Trade Organization, and we strenuously object to any of its policies or purposes being incorporated in any of our trade agreements. Furthermore, we do not feel it is in the interest of the people of this country or American industry to increase or extend the power of the Chief Executive under the Trade Agreements Act.

In view of the foregoing, we would like to recommend and urge that the Senate in enacting any legislation provide—

1. That the peril-point provisions [1] established by the Trade Agreements Extension Act of 1948 be reincorporated.
2. That the Federal Tariff Commission be directed to submit to the authorities involved computations showing the peril points which, in its opinion, may adversely affect trade and commerce in the United States and below which this country should not go in its concessions of United States duties to others.
3. That the President be directed to prevent the application of reduced tariffs or other concessions made in trade agreements with free nations to imports from Soviet Russia and Communist China, and to imports from any Communist satellite country, including North Korea.
4. That specific standards be established by Congress for the guidance of the President to determine relief under the escape clause.
5. That the authority of the President to make new trade agreements be extended for a period of only 2 years instead of 3 years.
6. That those representatives of the United States Government who are deputized to negotiate trade agreements with other countries be expressly forbidden to advocate the inclusion in said agreements of matter which goes beyond the intent and purposes of the Trade Agreements Act, as typified by the procedure in connection with the recent GATT agreements at Torque, England, and that concessions advocated in connection with said trade-agreements program be publicized sufficiently far in advance so that interested parties may have an opportunity to be heard at public hearings before final action is taken thereon.

Respectfully submitted.

G. C. WHIPPLE,
Manager, Foreign Department.

STATEMENT OF ILLINOIS MANUFACTURERS ASSOCIATION

RECIPROCAL TRADE AGREEMENTS ACT

PROPOSAL TO EXTEND ACT FOR 3 YEARS (H. R. 1612)

The above proposal would continue the reciprocal trade-agreements program, which has been in effect since 1934, for an additional period of 3 years beyond the present expiration date of June 12, 1951.

On two previous occasions, the International Trade Committee of the IMA expressed the conviction that the Hull reciprocal trade-agreements program, as originally conceived, would be beneficial, provided concessions which our country might make would be made with care and caution, with the purpose of benefiting trade without paralyzing American industry. The committee also believed that this program would be beneficial in removing various trade barriers. However, during the past several years, notwithstanding the trade agreements entered into with numerous countries, this program has resulted in more restrictions upon and more road blocks to international trade than have ever existed heretofore. This condition has resulted from the adoption of various devices, such as quotas, exchange controls, import licensing, and a multitude of regulations designed to protect the development of industries in the various countries involved. The so-called reciprocal trade-agreement program is no longer "reciprocal." We now

[1] The peril-point provisions authorize the Tariff Commission to make such investigations as may be necessary to determine whether proposed concessions may be granted "without causing or threatening serious injury to domestic industry," etc.

have in reality a Trade Agreement Act officially known as General Agreements on Trade and Tariff.

During the past several years, while our country has made concessions in lowering our tariffs, other countries have erected higher trade barriers. In other words, while we made concessions, other nations made it more difficult for us to trade with them.

The State Department and other governmental agencies interested in developing trade agreements are getting away from the program which we followed up to 4 years ago, and are now apparently trying to weave into these so-called trade agreements provisions taken from the Habana Charter of the ITO, with the apparent purpose of bringing the United Nations into closer relationship with the agreements which we are making under the Trade Agreements Act. Our Congress refused to ratify the adoption of the Habana Charter of the International Trade Organization, and we object to seeing any of its policies or purposes being incorporated in the trade agreements. Moreover, we do not feel it is in the interest of the people of this country or of American industry to increase or extend the power of the President under the trade agreement program.

In view of these considerations, the committee recommends that the Board of Directors of the IMA urge that any legislation enacted by Congress provide:

> That the peril-point provisions [1] established by the Trade Agreements Extension Act of 1948 be reincorporated.
>
> That the Federal Tariff Commission be directed to submit to the authorities involved computations showing the peril points which, in its opinion, may adversely affect trade and commerce in the United States of America and below which this country should not go in its concessions of United States duties to others.
>
> That the President be directed to prevent the application of reduced tariffs or other concessions made in trade agreements with free nations to imports from Soviet Russia and Communist China, and to imports from any Communist satellite country, including North Korea.
>
> That specific standards be established by Congress for the guidance of the President to determine relief under the escape clause.
>
> That the authority of the President to make new trade agreements be extended for a period of only 2 years instead of 3 years.
>
> That those representatives of the United States Government who are deputized to negotiate trade agreements with other countries be expressly forbidden to advocate the inclusion in said agreements of matter which goes beyond the intent and purposes of the Trade Agreements Act, as typified by the procedure in connection witn the recent GATT agreements at Torque, England; and that concessions advocated in connection with said trade agreements program be publicized sufficiently far in advance so that interested parties may have an opportunity to be heard at public hearings before final action is taken thereon.

The CHAIRMAN. We will recess until Monday morning at 10 o'clock.

(Whereupon, at 12:15 p. m., the committee recessed to reconvene at 10 a. m., Monday, February 26, 1951.)

[1] The peril-point provisions authorize the Tariff Commission to make such investigations as may be necessary to determine whether proposed concessions may be granted "without causing or threatening serious injury to domestic industry," etc.

TRADE AGREEMENTS EXTENSION ACT OF 1951

MONDAY, FEBRUARY, 26, 1951

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

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

Present: Senators George, Byrd, Kerr, Millikin, Taft, Brewster, Martin, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk; and Serge Benson, minority professional staff member.

The CHAIRMAN. The committee will be in order.

Secretary Brannan, we will be very glad to hear from you on this Trade Agreement Act renewal, and whatever you may wish to say to us.

Do you wish to present your statement in full before questions are asked, or is it agreeable to break into your statement with questions?

STATEMENT OF HON. CHARLES F. BRANNAN, SECRETARY OF AGRICULTURE

Secretary BRANNAN. Senator George, I will be guided by your wishes in the matter.

The CHAIRMAN. It is quite all right.

Secretary BRANNAN. I would like to indicate that I think most of the questions that have been so far asked of previous witnesses, and which have been referred to me by Secretary Acheson and the other witnesses are covered in the statement, and it might help if I were permitted to conclude. But——

The CHAIRMAN. That will be agreeable. You go ahead, you will not be asked questions until you finish your statement.

Secretary BRANNAN. Mr. Chairman, in appearing before you to discuss the proposed extension of the Reciprocal Trade Agreements Act, I would like, first of all, to reiterate my support for the trade agreements program as a whole and express my agreement with the statement made before you by the Secretary of State, Mr. Acheson. My remarks deal particularly with the amendment added to H. R. 1612 as section 8.

This amendment would require suspension of any duty reduction or other concession made under a trade agreement whenever the duty-paid import price for an agricultural commodity drops to or below the level of price support available to domestic producers of such commodity.

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If we compare this amendment with the existing legislative authority for the protection of our agricultural programs and of agricultural interests in general, we find an important difference. Present legislative authority provides for administrative action on a selective basis where such action is needed to prevent serious injury. The amendment in question would establish an automatic formula, making it compulsory to suspend trade agreement concessions irrespective of whether there was danger of a serious injury or only a temporary development that could be expected to correct itself within a comparatively short period without impairing our price support operations or causing serious injury to domestic producers.

The amendment also would force us to suspend tariff concessions although under the provisions of the General Agreement, United States interests could be protected more effectively by recourse to other types of actions, such as import quotas.

Wherever United States tariff concessions would have to be suspended under that amendment——

Senator MILLIKIN. Would you mind holding up for just a second, Mr. Secretary?

Secretary BRANNAN. Yes; all right, Senator.

The CHAIRMAN. You may proceed.

Secretary BRANNAN. Wherever United States tariff concessions would have to be suspended under that amendment, the countries adversely affected would be entitled to seek compensation by withdrawing concessions granted us. Withdrawals on their part would adversely affect United States agricultural and industrial producers that are dependent on markets in those countries. The interests of these producers would thus be harmed even though a temporary discrepancy between world prices and domestic support prices would not involve any serious threat to domestic producers or to our price-support programs.

In addition, there must be expected other unfavorable indirect repercussions. Our present trade agreements do not permit either this country or the countries with whom we concluded these agreements to suspend duties automatically as required by the amendment. Therefore, this amendment could not be carried out without either violating our existing international agreements or negotiating corresponding changes in these agreements. Clearly foreign countries would not grant us the right to withdraw United States concessions to protect our price-support programs without claiming the same right for themselves. If, however, that automatic formula were made generally available through changes in our trade agreements, United States agriculture would probably be the one to suffer most.

This appears probable because the countries to whom the bulk of our agricultural exports go are, in comparison to us, high-cost producers. They, therefore, would probably find opportunity to use the automatic formula earlier and more effectively than we if, at some time in the future, there should be a sharp decline in world agricultural prices. I would like to remind you that during the thirties many importing countries maintained agricultural prices at levels substantially higher than United States price supports.

The adverse repercussions that I have just mentioned deserve very serious consideration by your committee because of the predominant export interests of United States agriculture. I will discuss these presently

First, however, I would like to point to the fact that the automatic formula would invite speculation on a considerable scale. If we should enter into a period of declining world prices, speculators would find it to their advantage to import large quantities into the United States before duty-paid import prices drop below our support level, and, after this has happened, to sell them under the protection of the increased United States duty.

At this point it seems to me a few words are appropriate about the safeguards for our price-support programs that are provided for in the existing law and the provisions of the trade agreements into which we have entered. These safeguards provide adequate protection not only for our price-support programs but also for the marketing of commodities not subject to price support.

Among these safeguards are the provisions for import quotas in section 22 of the Agricultural Adjustment Act, the Sugar Act, and the provisions of article XI of the General Agreement on Tariffs and Trade. The import quotas on wheat, cotton, and sugar and the Tariff Commission investigation on nuts rest on these provisions. Whenever this appears to be warranted, I intend to initiate section 22 investigations also with respect to other agricultural commodities on which we have production or marketing restrictions. Additional authority for temporary import controls on rice, certain fats and oils, and butter rests on Public Law 590. It is in conformity with article XX of the General Agreement.

Senator MILLIKIN. Will you hold up for just one second, Mr. Secretary?

All right, go ahead, Mr. Secretary.

Secretary BRANNAN. The deadline in the latter article has been extended beyond that set in our own legislation. These provisions have been useful in connection with our programs for the disposal of accumulated surpluses of butter. I invite the attention of this committee to the fact that we also have a permanent provision in article XI 2 (c) (GATT) which permits us to restrict imports to any extent necessary whenever we have a surplus disposal program under which we are making available temporary surpluses for the school lunch program, to charitable institutions, or in some other way to low-income groups.

Senator MILLIKIN. Mr. Chairman, may I ask him to identify the act? In your reference to article XI 2 (c), what do you refer to?

Secretary BRANNAN. The General Trade Agreements——

Senator MILLIKIN. GATT?

Secretary BRANNAN. That is GATT. Excuse me, Senator, that should have been identified.

Then there are the provisions of the escape clause of article XIX of the General Agreement. These provisions were initiated by the United States and can be used whenever imports should cause or threaten serious injury to domestic producers. The Tariff Commission has already taken action under this article with respect to an industrial commodity. I am convinced that it will take action whenever circumstances should justify such action with respect to price support commodities or other agricultural commodities. Secretary Acheson has indicated agreement with the insertion into the Trade Agreements Act of a provision requiring the Tariff Commission to take into account various danger signals while leaving the finding as to injury to the

Commission as bipartisan experts. I fully share his views in this respect.

Your attention is also directed to the fact that the tariff concessions in the General Agreement are binding only for limited periods, and that, under the amended article XXVIII of this agreement, any concession made at Torquay or in earlier negotiations could be withdrawn on or after December 31, 1953.

The existence of such legislative safeguards for the protection of American producers and the price support program is the principal basis for my belief that the type of protection contained in the amendment in question is unnecessary.

The paramount consideration to my mind is the fact that American farmers obtain an over-all benefit from a high level of foreign trade because of their predominant export interest. For all the agricultural commodities commercially produced in this country, that is, those under price support and those not under price support, we have been on a net export basis in all years but two—the drought year 1934–35 and the war year 1940–41 when we were cut off from the European market. After World War II the net export surplus with respect to the agricultural commodities commercially produced iu this country has been particularly large. Analyzing the trade in these commodities in the last fiscal year, we find that exports amounted to slightly more than $3 billion and imports to $1.55 billion.

Our foreign aid programs have done a great deal during the postwar period to help maintain our foreign agricultural markets. But we cannot always rely on aid programs. In the long run we will be able to maintain large foreign markets for agricultural as well as industrial products only if we permit foreign countries to earn the dollars they need to pay for what they buy from us by selling goods and services to us.

The trade-agreements program has made it easier for foreign countries to earn these dollars. At the same time it enabled us to secure important concessions from many foreign countries. I have had prepared for this committee a list of the principal commodities on which we obtained concessions and the countries from which we obtained these concessions. It is appendix I.

By helping to maintain large foreign markets, the trade-agreements program supplements and facilitates our price support program. Most of the important farm products which are under price support are heavily dependent on foreign markets. As a group they are in fact much more dependent on foreign markets than the rest of our agricultural commodities. In the last fiscal year total exports of price-support commodities and products thereof amounted to $2.5 billion, and total imports to $456 million. Thus, esports of this group of commodities exceeded imports by more than $2 billion.

The leading price-support commodities have depended on exports for the following percentages of their production: Cotton, 37 percent; wheat, 26 percent; tobacco, 27 percent; rice, 39 percent; and soybeans, 11 percent.

As you consider the importance of these commodities and the magnitude of their dependence on exports, I am sure you will agree that our price-support operations could not assure a satisfactory level of producer income if we lost large portions of our foreign markets. Drastic production curtailments would be required in such a case.

Such curtailments would result in a severe drop in the gross income of important groups of agricultural producers and, because of increases in per unit costs, an even more severe decline in their net income.

Commodity-by-commodity analysis of the foreign trade position of the price-support commodities shows, furthermore, that practically no benefits would have been derived from the amendment in question even if it had been in force and effect for the last 2 years. Details as to the trade in these commodities are given in part I of table 1.

(Table 1 referred to above is as follows:)

TABLE 1.—*United States foreign agricultural trade in commodities under price support and others, fiscal year 1949–50*

[Millions of dollars]

	Exports [1]	Imports [2]	Net exports	Net imports
I. Commodities under price support.				
Cotton	948 8	50. 2	898 6	
Wheat (including flour)[3] [4]	694 8	23 6	671 2	
Rice	72 6	.3	72 3	
Other grains and feeds [5]	289. 8	86 2	203 6	
Tobacco	235 5	73. 3	162 2	
Oils and oilseeds [6]	147 3	15 4	131 9	
Dairy products	113 5	27 4	86 1	
Eggs	22 5	5 0	17 5	
Naval stores	12 2	. 5	11 7	
Beans, dry edible	6 7	1 3	5. 4	
Wool (excluding free for carpets)	8 5	220 0		211 5
Field and grass seeds	4 4	17 8		13. 4
Honey	2	. 6		4
White potatoes	8 2	12. 3		4 1
Total	2, 565 0	533 9	2, 260 5	229 4
II. Commodities commercially produced in the United States but not under price support, and related products.				
Fruits, vegetables, and preparations	166 0	97 2	68 8	
Fats, oils, and oilseeds [7]	121. 1	156. 7		35 6
Sugar and molasses	21 8	367 5		345 7
Hides and skins	14 3	85 1		70 8
Animals, meat and meat products	51. 7	171 3		119 6
Tree nuts	3 7	48 1		44 4
Miscellaneous	80 3	93 2		12 9
Total	458 9	1, 019 1	68 8	629 0
Total of I and II—all agricultural commodities commercially produced in the United States (whether or not under price support) [8]	3, 023 9	1, 553 0	2, 329 3	858 4
III. Commodities not commercially produced in the United States				
Coffee		869 8		
Rubber		259 1		
Cocoa or cacoa beans		132 8		
Carpet wool		99 7		
Bananas		55 9		
Tea		50 5		
Others		157. 4		
Total		1, 625 2		1, 625 2
Grand total	3, 023. 9	3, 178 2	2, 329 3	2, 483 6

[1] Excludes foreign agricultural products except for minor amounts of such items as coffee, cocoa, etc., processed in this country.
[2] Imports for consumption.
[3] Exports include $22.4 million of flour milled from other than United States wheat and $13.1 million of wheat sent to Canada by the CCC for storage.
[4] Imports include $19 4 million of wheat brought in under bond for milling and reexport
[5] Exports include grain sent to Canada by the CCC for storage as follows. Barley $3 1 million and corn $3.7 million.
[6] Including peanuts.
[7] Excluding butter, which is to be included with dairy products.
[8] Includes naval stores under price support (gum rosin and gum turpentine).

Source: Official statistics of the Bureau of the Census.

Secretary BRANNAN. Cotton is the first item listed. We exported about $950 million worth and imported $50 million worth. Thus our exports of cotton were about 20 times as large as our cotton imports. The latter consisted mostly of long-staple varieties needed to supplement domestic production, and they are regulated by quotas in accordance with our needs.

Of wheat, about $24 million worth was imported in the last fiscal year but most of this was for milling and reexport. Imports for consumption amounted to only $4 million. They also are regulated by a quota. Wheat exports amounted to nearly $700 million, and the net export surplus to over $670 million.

Rice exports totaled $73 million, imports about one-third of a million.

Exports of other grains and feeds exceeded $290 million and thus were 3½ times as large as the imports of these items.

Tobacco exports totaled $235 million and were more than three times as large as imports. The types of tobacco which we import are for the most part needed for blending with domestic tobaccos. The blending proportion is currently below prewar. Prices of imported tobacco have relatively little effect on our prices.

Of the fats, oils, and oilseeds under price support and of the products thereof, we exported in 1949–50 nearly 10 times as much as we imported. Our exports of soybeans, soybean oil, cottonseed oil, and peanut oil have greatly expanded compared with prewar.

The only important item in this category of which we had a net import surplus was tung oil of which we imported $15 million worth. Imports are duty-free. The duty-free status was bound in negotiations with Nationalist China, but has been unbound after her withdrawal from the General Agreement on Tariffs and Trade. Thus, the amendment in question would not come into play with respect to this commodity.

Of flaxseed and linseed oil we were a net importer before the war, but now are a net cxporter.

For all fats, oils, and oilseeds, that is those under price support and those not under price support, we were a net importer before the war mainly because of our large imports of copra and palm oil. At present we are, however, a net exporter. Exports of fats, oils, and oilseeds in 1949–50 totaled about $270 million—nearly $100 million more than imports.

Of dairy products, the United States also is a net exporter. In 1949–50 we exported more than four times as much as we imported. The bulk of the exports consisted of evaporated, condensed, and dried milk, and cheese. We imported more cheese than we exported, but most of our imports consisted of special foreign types. Cheddar exports exceeded cheddar imports.

In the case of eggs, exports of all kinds totaled $22.5 million and imports only $5 million. We had some difficulty with imports of dried eggs from China, but the concession made on that item has since been withdrawn. Our duty is back at the statutory rate and can be increased without violating any trade agreements obligation. Similarly, we are free to increase our rate of duty on frozen eggs. The import duty on shell eggs is bound in our agreement to Canada.

The next item on the list is wool, the main price-support commodity on which we had a net import surplus. Net imports of wool amounted

to $211 million. Domestic consumption needs have for many decades been greatly in excess of domestic production, which has been declining since 1942. We believe that it has reached about its lowest point.

Since 1949 world prices as well as domestic prices of wool have tended to be above our support level. As of the middle of January, the average price of domestic wool was more than double the support level. Present prices are even higher. It appears unlikely, at least under peacetime conditions, that the duty-paid price of imported wool will in the foreseeable future drop to or below our support level. Under wartime conditions shipping and trading have been controlled and tariffs have had little effect on such trade. Moreover, as you know, the main problem that confronts us now with respect to wool is to get enough of it to meet defense requirements and civilian needs.

Then there are the field and grass seeds, net imports of which amounted to $13 million. Imports of these seeds are in the interests of domestic agricultural production.

As regards honey, net imports amounted to less than one-half of 1 percent of domestic production.

This leaves potatoes as the only remaining item among the price-support commodities. By value we had in 1949–50 a net import surplus of potatoes, by quantity a net export surplus. Total potato imports were 10 million bushels, but even at that level they amounted to only 2.5 percent of domestic production. This year potato imports have been much smaller, as indicated by the fact that in the last 6 months of 1950 they amounted to 1.5 million bushels, or less than one-third of those in the corresponding period of 1949.

The potato imports of 10 million bushels in 1949–50 and 9 million bushels in 1948–49 were far in excess of any previous peacetime imports. In fact, we have in peacetime usually been a net exporter of potatoes. The abnormal potato trade situation of the last few years was due to a faulty price-support program, which will be terminated with the 1950 crop. If we get a support program with effective controls we will, if necessary, be able to restrict imports by quotas. Such action will be in accordance with the provisions of the General Agreement on Tariffs and Trade.

I would like to note that, of the 10 million bushels imported in 1949–50, 3.5 million bushels came in at a reduced rate of duty during the earlier part of the marketing year, and the rest at the full rate of duty. With the United States price level resulting from the support program, about the same quantity of Canadian potatoes would undoubtely have been imported even if the amendment had been in effect and the full rate of duty had applied also to the 3.5 million bushels actually imported at a reduced rate. Thus the losses from the potato price-support program during recent years would have been little, if any, smaller.

Regarding the commodities not under price support, we have a substantial net export surplus for the group of fruits, vegetables, and preparations as shown in part II of table 1.

Next you will find listed five important groups for which we are net importers: Sugar; hides and skins; animals, meat, and meat products; fats, oils, and oilseeds not under price support; and nuts.

As to sugar, you know that the Sugar Act provides for fair shares of domestic and foreign producers in the United States sugar market.

The tariff concessions made on sugar have had no adverse effect either on prices or on the market share of domestic cane and beet-sugar producers.

Hides and skins are byproducts of livestock farming, the domestic supply of which could not be increased even by substantial price rises.

As regards animals, meat, and meat products, total imports in terms of meat recently have accounted for only 2½ percent of domestic production. They have not created any difficulty for the domestic livestock industry. At present they certainly help meet the heavy current demand for meat.

The fats, oils, and oilseed not under price support I have already discussed.

In the case of tree nuts, imports have increased greatly. Most of the imports consist of kinds not produced here, such as coconuts, cashews, Brazil nuts, and pistachios. Some of these are, however, competitive with domestic nuts. Therefore, I initiated an investigation by the Tariff Commission as to whether nut imports should be restricted by quotas on the basis of section 22 of the Agricultural Adjustment Act. The Tariff Commission concluded on November 30, 1950, that there was then no basis for restricting imports under that authority. The Commission is, however, keeping a close watch on the situation with a view to considering whether future developments might warrant the imposition of such restrictions.

Then there are a large number of minor products. For part of them we were on a net export basis; for the remainder on a net import basis. Total exports in this category amounted to $80 million, total imports were about $13 million higher.

Finally, there are coffee, rubber, cocoa, carpet wool, bananas, and other commodities that are not commercially produced by American farmers. They totaled more than $1.6 billion as compared with $1.55 billion of imports of agricultural products of a type commercially produced in this country. If you go back in our trade statistics, you will find that about the same proportion has prevailed since the middle twenties. That means that normally imports of products not produced commercially in the United States account for about half, or more than half, of our total agricultural imports.

I have gone into some detail in my testimony. I believe I have shown that neither our price-support program nor farm income levels are seriously threatened by agricultural imports and that, if difficulties should arise at some time in the future because of trade agreements concessions, we have sufficient authority in or laws and agreements to cope with such difficulties.

For the present, most of our agricultural prices are above the support level and our main problem is to reduce the inflationary pressures upon our economy. Imports help to reduce such pressures.

To sum up, the amendment would destroy the basis of our trade agreements program. To maintain that program is in the interest of American agriculture as well as in that of our Nation as a whole. In fact, in these critical times the trade agreements program must be looked upon as one of the principal means we have in the economic field for uniting and fortifying the free world against aggression.

(Appendix I referred to above is as follows:)

Appendix I

Countries from which concessions were obtained on leading agricultural commodities under the reciprocal trade agreements program

United States price-support commodities	Number of countries	Countries granting concessions
Corn	8	Canada, France, Italy, Iceland, Ireland.
Corn meal	3	Canada, Cuba, Iceland.
Rye	3	Canada, Norway, Italy
Rye flour	1	Peru.
Oats	7	Brazil, Canada, Norway, South Africa, Italy, Costa Rica, Venezuela.
Oatmeal	15	Brazil, Cuba, France, United Kingdom, Haiti, Italy, Nicaragua, Honduras, Costa Rica, El Salvador, Iceland, Iran, Peru, Ireland, Venezuela
Barley	5	Brazil, Canada, United Kingdom, Norway, Italy.
Wheat	14	Benelux, Brazil, Cuba, France, Norway, South Africa, United Kingdom, Dominican Republic, Greece, Italy, El Salvador, Guatemala, Ireland, Switzerland.
Wheat flour	18	Benelux, Brazil, Canada, Ceylon, Cuba, Norway, South Africa, Dominican Republic, Greece, Italy, Liberia, Nicaragua, Honduras, Costa Rica, Guatemala, Iceland, Peru, Venezuela
Rice	16	Benelux, Canada, Cuba, Czechoslovakia, France, India, New Zealand, Norway, Pakistan, South Africa, United Kingdom, Denmark, Liberia, Iceland, Ireland, Switzerland.
Grain sorghums	----------	
Field and grass seed	13	Benelux, Brazil, Canada, Ceylon, Chile, France, India, New Zealand, Pakistan, South Africa, Denmark, Ireland, United Kingdom
Cotton and linters	19	Benelux, Chile, Cuba, Czechoslovakia, France, New Zealand, Norway, South Africa, United Kingdom, Dominican Republic, Finland, Greece, Haiti, Italy, Nicaragua, Sweden, Uruguay, Ireland, Switzerland.
Wool	13	Benelux, Brazil, Canada, Ceylon, Cuba, Czechoslovakia, France, India, Pakistan, United Kingdom, Finland, Italy, Sweden.
Tobacco, raw	18	Australia, Benelux, Brazil, Canada, Ceylon, France, India, New Zealand, Norway, Pakistan, United Kingdom, Dominican Republic, Finland, Italy, Liberia, Uruguay, Guatemala, Ireland.
Honey	4	United Kingdom, Finland, Haiti, Ireland.
Peanuts	3	Australia, Canada, France.
Soybeans	7	Australia, Benelux, Canada, France, New Zealand, United Kingdom, Finland
Soybean oil	7	Cuba, Czechoslovakia, France, United Kingdom, Finland, Italy, Iceland.
Cottonseed	2	Australia, Benelux.
Cottonseed oil	5	Benelux, Cuba, France, Guatemala, Iceland.
Flaxseed	1	Australia.
Linseed oil	6	Australia, Czechoslovakia, France, United Kingdom, Greece, Italy
Tung nuts	1	Australia.
Tung oil	6	Australia, Benelux, India, Pakistan, United Kingdom, Finland.
Potatoes	7	Canada, Cuba, France, United Kingdom, Greece, Haiti, Uruguay.
Dry edible beans	8	Burma, Canada, Ceylon, Cuba, France, South Africa, United Kingdom, Liberia.
Milk and cream	18	Brazil, Burma, Canada, Ceylon, Cuba, France, India, Pakistan, United Kingdom, Greece, Haiti, Liberia, Nicaragua, Honduras, Costa Rica, Ecuador, Guatemala, Venezuela.
Milk products	18	Brazil, Burma, Canada, Ceylon, Cuba, India, Pakistan, United Kingdom, Greece, Haiti, Italy, Liberia, Nicaragua, Honduras, Costa Rica, Ecuador, Guatemala, Venezuela.
Butter	12	Canada, Ceylon, France, India, Pakistan, South Africa, Unite Kingdom, Greece, Haiti, Italy, Honduras, Guatemala.
Cheese	13	Benelux, Brazil, Burma, Canada, France, India, Norway, Pakistan, South Africa, Greece, Haiti, Liberia, Guatemala
Shell eggs	7	Australia, Benelux, Canada, Czechoslovakia, France, South Africa, Greece.
Other eggs	5	Australia, Canada, France, South Africa, Liberia.
Turpentine and rosin	17	Benelux, Brazil, Burma, Canada, Ceylon, Cuba, Czechoslovakia, France, India, New Zealand, Norway, Pakistan, Italy, Sweden, Costa Rica, Ireland, Paraguay
Pears	21	Benelux, Brazil, Canada, Cuba, Czechoslovakia, France, India, Norway, Pakistan, United Kingdom, Denmark, Dominican Republic, Finland, Sweden, Honduras, El Salvador, Guatemala, Iceland, Iran, Peru, Venezuela.
Peanut cake and meal	5	Benelux, Burma, Cuba, France, New Zealand
Grapefruit	10	Benelux, Canada, Czechoslovakia, Norway, United Kingdom, Dominican Republic, Finland, Guatemala, Sweden, France
Oranges	10	Benelux, Canada, Czechoslovakia, France, New Zealand, Norway, United Kingdom, Dominican Republic, Sweden, Guatemala
Apples	29	Benelux, Brazil, Canada, Ceylon, Chile, Cuba, Czechoslovakia, France, India, Norway, Pakistan, South Africa, United Kingdom, Denmark, Dominican Republic, Finland, Greece, Haiti, Italy, Sweden, Uruguay, Honduras, El Salvador, Guatemala, Iceland, Iran, Peru, Venezuela, Ireland.

APPENDIX I—Continued

Countries from which concessions were obtained on leading agricultural commodities under the reciprocal trade agreements program—Continued

United States price-support commodities	Number of countries	Countries granting concessions
Grapes	20	Benelux, Brazil, Canada, Ceylon, Cuba, Czechoslovakia, France, India, New Zealand, Norway, Pakistan, United Kingdom, Denmark, Finland, Haiti, Sweden, Honduras, El Salvador, Guatemala, Venezuela.
Raisins	18	Canada, Cuba, France, New Zealand, Norway, United Kingdom, Denmark, Finland, Italy, Uruguay, Honduras, Sweden, El Salvador, Guatemala, Iceland, Paraguay, Switzerland, Venezuela.
Prunes	22	Benelux, Canada, France, India, New Zealand, Norway, Pakistan, Syria-Lebanon, United Kingdom, Denmark, Finland, Italy, Uruguay, Honduras, Ecuador, El Salvador, Guatemala, Iceland, Turkey, Paraguay, Switzerland, Venezuela.
Cottonseed cake and meal	4	Benelux, Burma, France, New Zealand.
Soybean cake and meal	5	Benelux, Burma, France, New Zealand, United Kingdom.
Pork	10	Canada, Cuba, France, United Kingdom, Haiti, Italy, Liberia, El Salvador, Ireland, Venezuela.
Lard	15	Benelux, Ceylon, Cuba, France, India, Pakistan, United Kingdom, Haiti, Italy, Costa Rica, Ecuador, Guatemala, Ireland, Switzerland, Venezuela.
Tallow	11	Benelux, Burma, Canada, Czechoslovakia, France, India, New Zealand, Norway, Pakistan, South Africa, Italy.
Hops	8	Canada, Cuba, Norway, South Africa, Denmark, Italy, Sweden, Uruguay.
Dry edible peas	8	Brazil, Canada, Cuba, France, South Africa, United Kingdom, Italy, Liberia.

Secretary BRANNAN. Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions of the Secretary, Senator Millikin?

Senator MILLIKIN. Mr. Chairman, may I ask the Secretary whether he will be in Washington over the reasonably near future so that he can be recalled? I make the request for information, because there are a large number of statistics here which obviously cannot be analyzed in a moment.

Secretary BRANNAN. Senator Millikin, currently I have only plans to be in New York on the 6th and 7th of next minth, but I will be available at any other time.

Senator Millikin. Mr. Secretary, I notice in your last paragraph here you say that the amendment, referring to section 8, of the bill, would destroy the basis of our trade-agreements program.

Would you mind amplifying on just how it would do that?

Secretary BRANNAN. Well, Senator, if any participation in the general agreement tariffs and trade were to be governed by this amendment, which requires the automatic recalling or cancellation of a trade-agreement concession previously negotiated, then the other parties to that agreement certainly should have the opportunity to either renegotiate that aspect of the general agreement, and ask for a similar provision for themselves or, as that provision went into effect, would have to take retaliatory or compensatory action with respect to other commodities; and, because we are very much more important exporters than importers of most of the agricultural commodities, we would, it would seem to me, be seriously affected by any general change in GATT along the lines of the proposed amendment.

Senator MILLIKIN. Does the Secretary believe that any foreign country does not protect itself against the imports which it deems to be injurious?

Secretary BRANNAN. They do, within the terms of the Trade Agreements Act, certainly; I think all countries do, but I would like to add that we have been most careful and cautious in staying within the terms of the agreement and I would expect the other countries to have done likewise.

Senator MILLIKIN. Take the Trade Agreements Act. We will say that they would and, of course, they would. They would with or without the Trade Agreements Act, just as we should protect ourselves. But in addition to the provisions of the Trade Agreements Act, and affected somewhat by the terms of the Trade Agreements Act, we have, as I recall it, over 300 bilateral agreements, many of them concerning agricultural products, which definitely restrict the field of American agriculture in the whole international field of trade.

There is not a country in this world that does not maintain controls over imports of agricultural products, as well as all other products, via monetary controls, via import licenses, via tariff restrictions which are, I suggest, the mildest part of all these restrictive devices, via bilateral agreements.

So what is left of the representations that we are doing something here that would add to our burden in international trade? What could be added? What remains to be done to add to those burdens?

Secretary BRANNAN. Well, Senator, notwithstanding—excuse me, had you finished?

Senator MILLIKIN. Yes; go ahead.

Secretary BRANNAN. Senator, notwithstanding the fact that the other countries with whom we have carried on negotiations have restrictions in their law, it still is true that we export 37 percent of our cotton production, and we export 26 percent of our wheat, we export 27 percent of our tobacco, and 39 percent of our rice, soybeans 11 percent, and very substantial proportions of other agricultural commodities, and have done so for some time, and under the language as it is now, a part of our Trade Agreements Act. I fail to see that changing this act in the fashion proposed by section 8 could have any other than a detrimental effect upon the export of those particular commodities, and many others.

Senator MILLIKIN. You have stated that; you have said that. Your point is that because we have these exports that, therefore, the trade-agreements system is a good thing and that, therefore, we should oppose section 8 of the bill. Is that the net effect of your argument?

Secretary BRANNAN. Senator, I think, to put it very simply, this would be an unworkable provision if it became a part of the Trade Agreements Act. It is an unworkable provision, and would essentially defeat the objectives of the Trade Agreements Act.

My principal point is that we are getting along in this very complicated business of world trade quite well on the agricultural side—not 100 percent as we would like it, but, perhaps, nobody in a negotiation comes out with 100 percent of what he would like. Certainly we do have a situation in which we are moving tremendous quantities of agricultural products into international trade, and I think this amendment would seriously hamper the operations under which we are accomplishing that substantial export.

Senator MILLIKIN. Will you please put into the record the amount of money that the American taxpayer has spent in aid of aid programs

and also in aid of the export of our agricultural programs? Would you put that into the record?

Secretary BRANNAN. Yes, sir. There are others better equipped, but I will get it and put it into the record.

The following information subsequently suplied, follows:

UNITED STATES FOREIGN AID AND AGRICULTURAL EXPORTS

As stressed in Secretary Brannan's statement, United States aid to foreign countries has greatly helped our agricultural exports. Data relevant to the financing of such exports from July 1, 1948, to date are given in table 1.

In evaluating these data it needs to be borne in mind that bulky staples are easier to document in requesting United States aid funds. Therefore, the aid-receiving governments have given preference to agricultural products which are bought and shipped in large quantities, and have reserved much of the dollars earned through their own exports of goods and services for the great variety of industrial products that they buy in the United States. United States aid-administrating agencies also have favored the use of aid funds primarily for the purchase of staples. They too were guided in this policy by a desire to economize in administrative expenses.

It is mainly for these reasons that, on the average, in the last fiscal year about 65 percent of our agricultural exports were financed with aid dollars and only 35 percent by other means; whereas, of United States exports of manufactured products, only 17 percent were financed with aid dollars and 83 percent by other means.

If, however, these countries had not considered it advantageous to them to import large quantities of agricultural products from the United States, they could well have used a larger portion of their ECA aid for the purchase of industrial products.

TABLE 1.—*Agricultural exports financed by principal foreign-aid programs, by 6-month periods, July 1948–December 1950*

Quarter	Agricultural exports financed with ECA and GARIOA funds [1]		Total agricultural exports
	Value	Percent of total agricultural exports	
	Million dollars	*Percent*	*Million dollars*
1948—July-December	1,423	79	1,798
1949—January-June	1,066	52	2,032
July-December	1,062	69	1,545
1950—January-June	909	63	1,446
July-December	833	58	1,433

[1] ECA procurement authorizations for food and agricultural products in the United States for Europe, China, Korea, and other far eastern countries, except in 1950. The first three quarters of 1950 are GARIOA liftings plus GARIOA exports. GARIOA represents exports by the Army for "Government and relief in occupied countries." In the last quarter of 1950, procurement authorizations were used for GARIOA.

Senator MILLIKIN. You would not deny that our export program, not only in agriculture but in industry, has been enormously stimulated by our give-away and loan and general aid programs to other countries of this world, would you?

Secretary BRANNAN. Senator, in my statement I accepted that, that the Marshall plan and the other programs of that character have stimulated the export of American agricultural products, and I just would hate to think what would have been the case had we not been able to export these commodities.

Senator MILLIKIN. I am not challenging the wisdom of what we have done; that is a larger debate that we may not enter upon.

Secretary BRANNAN. Yes; I understand that.

Senator MILLIKIN. But I can see no reason—I am sure the Secretary cannot see any reason, and I would like to hear one if he has one—why a foreign country should not take our agricultural products, if we give the foreign country the money to buy them.

Secretary BRANNAN. Well, Senator, we have given them that money for other and larger purposes, as you very well said a moment ago. Nevertheless, the fact that they——

Senator BREWSTER. You do not mean "purposes," do you? You mean for other and larger reasons. The purpose was to buy these agricultural products.

Secretary BRANNAN. Well, I will not worry about the term, Senator Brewster, other and larger principles or reasons.

The net effect has been, however, that, although the recipient countries were free to choose what goods they wanted to buy, agricultural commodities have moved in somewhat the normal pattern of export of this country and, as a matter of fact, in an accelerated fashion for many of them.

Exports of wheat, for example, are much larger than they were before this last war.

Senator MILLIKIN. But, Mr. Secretary, you would not commit yourself to the claim that the reciprocal-trade system is responsible for these exports that we are talking about?

Secretary BRANNAN. No, Senator; but it is the machinery under which they can be orderly carried on; and, more importantly, it is the machinery by which we have acquired the opportunities to export our commodities in connection with the admission of some of their commodities into this country.

Senator MILLIKIN. But I suggest that goes far beyond the reciprocal trade system; that goes to our ECA program; that goes for all of our foreign-aid program.

Secretary BRANNAN. Senator, it could not be denied that these are all interrelated.

Senator MILLIKIN. I would suggest that if you were making gifts to someone, it would be easy to set up machinery whereby he could receive the gift. Is that not correct?

Senator BREWSTER. Is there any reason why they would not?

Senator MILLIKIN. I would like to have an answer to my question. In other words, I think my question was intended to subordinate the emphasis that you put on the machinery to give something away. Coming back to my point that the reason for the increase in our agricultural exports is due to these various aid programs, the merits of which are not involved here at all; is that not correct?

Secretary BRANNAN. Well, Senator, we are looking toward the day when the aid programs will not be an essential factor in world trade.

Senator MILLIKIN. Yes.

May I interrupt you to ask you whether so far, cutting short that date to which you are looking forward—may I ask you whether in your opinion these aid programs are not in the main part responsible for these enormous exports?

Secretary BRANNAN. That, I should say, is correct.

Senator MILLIKIN. Yes.

Now, moving forward to your hopes——

Secretary BRANNAN. Our exports are helped by whatever device we make possible for them to have money with which to trade in the world market and to reestablish their own economy, so that hereafter without the aid program they could continue to purchase in the world market. To that extent the wheat or the cotton or the tobacco they may buy 10 years from now could be traced back to these gifts. That is the over-all purpose of this aid.

Senator MILLIKIN. Now, looking forward to that day, Mr. Secretary, how will you overcome, assuming a normality, if such as assumption is at all possible, assuming a normality of world trade, how will we overcome these 300 or more—let me interrupt for just a moment. Mr. Brown, how many of these bilateral agreements are there now?

Mr. WINTHROP G. BROWN (of the State Department). I do not know, sir.

Senator MILLIKIN. Well, 2 years ago it was about 300 or more, was it not?

Mr. BROWN. Several hundred, I should think.

Senator MILLIKIN. Yes.

Mr. Secretary, looking forward to that blessed day of normality, how will we override these bilateral agreements, hundreds of bilateral agreements, that in the normal process of trade would restrict our agricultural export policies—how would we overcome these exchange conversion problems, and the licensing involved in them, the import licenses, and the quotas, and all of these restrictive devices which have grown up during the reign of reciprocal trade? How, please, will you help your agriculture over those hurdles?

Secretary BRANNAN. Senator, I suppose you would have to take each and every problem up one by one, but I think certainly you can do it within the framework of the general tariff and trade agreements, better than you can do it outside of it.

Senator MILLIKIN. But, Mr. Secretary, it has been under the framework of the things that you are talking about that these things have developed. We have not reduced preferences, for examples, within the British Empire which, under testimony developed by this committee, represents the hard test of the success of the program.

We have reduced to some degree the preferences, but the main system lasts. We have all of these trade-restricting things which have come up under your own language within the framework of the reciprocal trade program. Why, then, do we throw our hats into the air with enthusiasm over a framework that permits that sort of a deterioration in a world of, let us call it, free trade?

Secretary BRANNAN. Well, Senator, I do not know whether I would characterize it as throwing our hats in the air. All we are doing is searching for the most workable plan in the light of all of the circumstances.

Senator MILLIKIN. Mr. Secretary, I suggest, and I would like to have your observation, that when you search for a workable plan you should not be happy with a plan which you discover has multiplied, or under which, within the framework of which, you have multiplied bilateral agreements principally in agricultural markets, and have multiplied trade restrictions of all kinds, which can only be overcome, I suggest, by our loan and grant and give-away policies, and when these policies stop, if they stop, I suggest that, perhaps, our country will stop if we do not get a little more moderate in some of these

things—when those things stop you are still confronted with the same restrictions, and then what will happen to your exporting agricultural program?

Secretary BRANNAN. Well, Senator, I do not think section 8 will rectify the problem you are concerned with right now.

Senator MILLIKIN. I was taking up your broad phrasings—I will come to section 8—in your summary and elsewhere of that system under which we are working which, I assume from your testimony, you believe is in our best agricultural interests.

Now, take your last sentence, and I quote:

> In fact, in these critical times, the trade-agreements program must be looked upon as one of the principal means we have in the economic field for uniting and fortifying free world against aggression.

Please demonstrate that.

Secretary BRANNAN. Well, Senator, that is a very broad and high policy matter, but it would seem to me that if there is machinery, agreements, and working relationships, under which the free peoples of the world can trade together effectively, and maintain normal, active, commercial operations, that they are in a much better frame of mind, or international framework, to work together in many other fields, and that in the absence of any commercial relationships the possibilities for other working relationships toward peace are very much less.

Senator MILIKIN. Oh, no one would suggest, Mr. Secretary, that we have no commercial relationships. That is not the question that is involved here.

Secretary BRANNAN. But, Senator, you do remember that under the very restrictive provisions of earlier tariff laws we have almost destroyed our international trade. I am thinking——

Senator MILLIKIN. Who is suggesting that we go back to that earlier period that you are talking about?

Secretary BRANNAN. No one, Senator, perhaps other than that if the insertion of paragraph 8 makes the whole agreement unworkable, then it does strike at the possibility of maintaining international trade, and I am making the point that paragraph 8 would seriously undermine the whole of the agreement.

Senator MILLIKIN. Yes; I have not come to section 8 yet. So far, I am probing your general philosophy.

I note before your conclusion you refer to the reduction of inflationary pressures upon our economy by imports. Of course, if the imports tend to reduce the spending power of our people, you are reducing an inflationary influence. Will you tell us exactly what you have in mind when you suggest that we will reduce inflationary pressures by imports?

Secretary BRANNAN. Well, Senator, inflationary pressures in food, at least, and I assume, generally, in all commodities, arise from a shortage of supply or in relationship to the demand. If our domestic production—our capacity to produce domestically—is not sufficient to keep up with the increased demand which has come as a result of acceleration of our emergency preparation, and we draw then upon some other source for supplementary supplies and bring them in to help satisfy the demand, we have thereby reduced the inflationary pressures.

Senator MILLIKIN. You are speaking solely of cases where we have domestic shortages.

Secretary BRANNAN. That is right, sir.

Senator MILLIKIN. That is right.

Secretary BRANNAN. Domestic shortages, as I understand it, are the cause of the inflationary trends in most cases.

Senator MILLIKIN. Well, that opens up a big chicken-and-egg argument as to shortages, and the relationship of the supply of money to shortages, and that opens up a very vast complexity which I do not care to enter into.

Secretary BRANNAN. Indeed it does.

Senator MILLIKIN. But I thought in your own interest you would hesitate to suggest in an unrestrained way, as you have here, that we should allow imports to come into this country which might destroy the farmers' payroll and the workers' payroll, in order to combat inflation. You do not mean that, do you?

Secretary BRANNAN. No; and the statement does not say it, Senator, because the statement is premised upon the maintenance of the agreements under which we can restrict, seriously restrict, many imports.

Senator MILLIKIN. You are speaking of which agreement?

Secretary BRANNAN. The general agreements on tariffs and trade.

Senator MILLIKIN. Now, let us speak of the general trade agreements.

Do you agree with Secretary Acheson that Congress has exclusive jurisdiction under the Constitution of our trade policies?

Secretary BRANNAN. Well, Senator, there are many people more expert than I in constitutional law.

Senator MILLIKIN. Well, you endorsed Mr. Acheson's statement. That was in his statement and in the examination of his statement he said unqualifiedly that under the Constitution the Congress is the master of the subject.

Secretary BRANNAN. Well, Senator, I do embrace his point of view, and I am confident that when it came to a constitutional argument that he would be able to sustain this point of view. I confess to you that this morning on this constitutional argument, I am not prepared to discuss it.

Senator MILLIKIN. You are not prepared one way or the other? I would remind the distinguished Secretary that he is probably as skillful a lawyer as is the Secretary of State.

Secretary BRANNAN. That is a very high compliment, and I thank you.

Senator MILLIKIN. I know that you have read the Constitution, and I know that you know what the Constitution says about those things, and the testimony of Secretary Acheson was merely in express conformity with the Constitution, so that there ought not to be much hesitation on the part of the Secretary to confirm specifically that part of Secretary Acheson's statement.

Now, coming back to GATT, has the Congress ever approved GATT?

Secretary BRANNAN. Certainly by implication it has.

Senator MILLIKIN. I suggest that not only by implication but by express terms it has not. This committee, under Republican administration and under Democratic administration, has put a definite caveat on GATT.

Senator KERR. Would the Senator repeat that word?
Senator MILLIKIN. C-a-v-e-a-t.
Senator KERR. That is not a Russian food, is it? Laughter.]
Senator MILLIKIN. The Secretary would not say that the matter has ever been submitted for consideration of Congress?
Secretary BRANNAN. Senator, the Congress has addressed itself from time to time to amending the general authority under which it was concluded and the authority to renegotiate it has been extended from time to time. By that, sir, I would think it proper to deduct that Congress has tacitly approved it.
Senator MILLIKIN. The Secretary is assuming that the executive department may interpret these extensions as authority to enter into an agreement like GATT, is he not?
Secretary BRANNAN. Yes, sir.
Senator MILLIKIN. But I am bringing to the Secretary's attention that GATT has never been before us for official action, for the simple reason that GATT is supposed to be a prelude to ITO, and there had always been a working understanding around here that before we frontally approached GATT, that we would frontally approach the ITO and consider both together, because many of the heart provisions of ITO are in GATT.
The Secretary may recall that the other day Secretary Acheson stated that they have abandoned GATT and have abandoned it permanently—I mean ITO—and have abandoned it permanently, and I suggest that the facts are directly contrary to the Secretary's impression, that Congress has approved GATT, that Congress on this side, at least, has repeatedly reserved the question as to whether we would approve GATT for the reason which I have mentioned to you, that the two were tied together.
Now, they are not tied together, and one of the questions that will confront this committee is whether we should directly approach the problem of GATT.
Does the Secretary adhere to his thought that the Congress has approved GATT?
Secretary BRANNAN. Well, the document, as such, Senator, probably has not in that form been before the Senate.
Senator MILLIKIN. Yes.
Secretary BRANNAN. However, the Senate or the Congress has authorized and reauthorized the carrying on of the negotiations, and the carrying out of the provisions as far as those provisions can be carried out by the United States.
Senator MILLIKIN. I suggest to the Secretary that the Congress has never authorized the carrying out of the negotiations for GATT. That has been construed by the Executive Department as a part of its power but, as I say, the Senate has filed repeated caveats on that assumption.
Now, under section 22, let me read what you say about section 22, or one of the things you say about it:

> Therefore, I initiated an investigation by the Tariff Commission as to whether nut imports should be restricted by quotas on the basis of section 22 of the Agricultural Adjustment Act. The Tariff Commission concluded on November 30, 1950, that there was then no basis for restricting imports under that authority.

Let me ask you, Mr. Secretary, how many adjustments of tariffs or other concessions have been made by the operation of section 22?

Secretary BRANNAN. Senator, that is a piece of information I would have to supply after some research. Certainly in the area of non-agricultural commodities we would not even have a guess.

Senator MILLIKIN. I am talking about section 22 which, I take it, is limited to agricultural commodities, is it not?

Secretary BRANNAN. That is right; excuse me.

Senator MILLIKIN. My question is, How many times has relief been granted under section 22, following your procedure under section 22?

Secretary BRANNAN. I do not know, Senator.

Senator MILLIKIN. Well, I will venture to suggest that there has been relief in the case of certain species of long-staple cotton, long-staple cotton, but it is a special——

Secretary BRANNAN. Egyptian varieties.

The CHAIRMAN. Egyptian varieties.

Senator MILLIKIN. Having special uses. The Tariff Commission recommended, and later by the procedures described, there was relief given in the case of cotton of that kind. In other words, in that particular case you were seeking a larger import quota, and that was finally approved.

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. I am not quarreling with the decision at all, but I now bring it to the attention of the Secretary in the cases where there has been relief under section 22, or where there has been final action.

There has also been final action on short staple cotton. There has been a quota administered, applied to wheat; the question of nuts, I think, the application for relief was denied, but is being held open for further consideration by the Tariff Commission.

Secretary BRANNAN. That is right.

Senator MILLIKIN. What other ones have been granted, Mr. Benson, aside from cotton and wheat?

That is all.

Secretary BRANNAN. This note says wheat, flour, cotton, long-staple, and cotton, short variety.

Senator MILLIKIN. Yes. I suggest relief was not granted on an application of cotton fabricators. That, too, I believe, was held open; nothing ever happened.

So, out of the long history of section 22 there has been relief in two categories of agricultural products.

Would the Secretary challenge the accuracy of that statement?

Secretary BRANNAN. I would say that is probably right. I would like to——

Senator MILLIKIN. What I would ask the Secretary is the criterion for granting relief under section 22 procedure.

Secretary BRANNAN. The general investigation, of course, is in the area of the impact upon the imports of the commodity generally, the imports of the commodity on the American support operation or our various programs, school lunch, and other types of program.

Senator MILLIKIN. The point being——

Secretary BRANNAN. And our price support programs.

Senator MILLIKIN. In other words, it is put on a quota where it is——

Secretary BRANNAN. Quotas or——

Senator MILLIKIN. If that is necessary to prevent injury to domestic producers of the same commodity.

Secretary BRANNAN. That is right.

Senator MILLIKIN. Let me ask you a sidetrack question: In connection with the reciprocal trade agreements do you ever trade off one agricultural commodity against another? That is, do you grant concessions on one, on the import of one, agricultural product or group of agricultural commodities in order to increase some exports of another?

Secretary BRANNAN. Well, Senator, when the trade agreements are being negotiated, such as are going on at Torquay now, I think all commodities are in discussion and consideration at the same time. It would be hard for anyone to say that the determination of the exact status of one commodity in the agreement had not been influenced by the determination of the status of another commodity.

Senator MILLIKIN. But you, as Secretary of Agriculture, are a member of the committee that controls the making of these agreements. In your own status have you ever suggested granting import concessions on one agricultural product or a group of them in order to get export concessions on another agricultural product or a group of them?

Secretary BRANNAN. Senator, I do not remember having done just that.

Senator MILLIKIN. You would resist that, would you not?

Secretary BRANNAN. We would certainly do our best to avoid that.

Senator TAFT. Is it not true that we reduced the tariff on Cuban sugar in order to get a reduction in Cuban tariffs on American foodstuffs?

Secretary BRANNAN. Well, there are other things moving now to Cuba, finished products of cotton, and so forth. I assume, Senator Taft, that all of the commodities were before the negotiators at the same time, and it could well have been.

Senator MILLIKIN. Is it not a fact, Mr. Secretary, that your Department and the Department of State at times are in disagreement as to the basic legal authority to operate under 22, with respect to certain commodities that may come up for consideration? For example, you are referring here to nut imports. Is it not a fact that when the President asks the Tariff Commission to make a study of that subject that you, as Secretary of Agriculture, or someone for you, wrote a letter favorable to granting of relief, and is it not a fact that at the same time the Secretary of State wrote a letter to the Tariff Commission urging against relief; the difference in the two communications turning on your interpretation of that sleeper which was put into article 22, saying that we shall not take any action under article 22 which will violate any treaty which, of course, it should not, or any other type of international agreement.

Is it not true that you had a difference of opinion on that?

Secretary BRANNAN. Well, Senator, sure there are differences of opinion between all of the departments of government. That is why there is more than one working at the job. But, Senator, the differences are understandable, it seems to me. Our special concern is the domestic producer.

Senator MILLIKIN. Yes.

Secretary BRANNAN. Now, the Department of State's special concern is the international implications of what we do.

Senator MILLIKIN. Yes; that is right.

Secretary BRANNAN. Sure, we will approach the problem from a different standpoint, and arrive at somewhat different conclusions, but the basic differences usually turn upon an interpretation of the facts more than an interpretation of the precise authorities.

Senator MILLIKIN. Let us come back to this restriction to which I referred, having to do with nuts.

I will ask you again, remembering that the President, in his instructions to the Tariff Commission, put it in such a way so that it might be concluded that the legal effect of that provision of section 22, to which I have referred, should be taken into consideration. You concluded apparently, I suggest, that the legal effect of that provision would not be impinged on if relief would be given in the nut situation.

The Secretary of State concluded that it would be impinged upon under those circumstances, and the Tariff Commission, for reasons which are not quite clear, in the published proceedings, did not take action on the question of nuts.

Will the Secretary give me an answer on that?

Secretary BRANNAN. I think you recited what took place correctly, Senator.

Senator MILLIKIN. Would it be embarrassing in any way if we had a copy of your letter to the Tariff Commission on that specific point?

Secretary BRANNAN. Senator, I know of no reason at this time, and I would be happy to supply it.

Senator MILLIKIN. Will you supply it to the chairman.

Secretary BRANNAN. I will, sir. There are some sort of regulations about those kinds of communications but, Senator, so far as I know, it can be produced. If it cannot, I will state why, and so forth.

Senator MILLIKIN. Mr. Chairman, may I address the same inquiry to Mr. Brown, as to whether the Secretary of State's letter on that subject might be produced for the benefit of the committee?

(The letters referred to follow:)

Hon. OSCAR B. RYDER,
Chairman, United States Tariff Commission.

DEAR MR. RYDER: I have reason to believe that almonds, filberts, walnuts, Brazil nuts, and cashews of foreign production are being imported into the United States in such quantities as to render ineffective programs undertaken by the Department of Agriculture pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and section 32, Public Law 320, Seventy-fourth Congress, as amended. The United States Tariff Commission is directed, therefore, to make an immediate investigation of this matter, in accordance with Executive Order 7233, dated November 23, 1935, promulgating regulations governing investigations under section 22 of the Agricultural Adjustment Act, as amended.

The Department of Agriculture has in operation six programs to dispose of surplus tree nuts and improve the prices received by domestic producers. The programs include three marketing agreements and orders (walnuts, filberts, pecans) and three programs providing for payments on the diversion of surplus stocks from normal channels of trade and commerce (walnuts, almonds, filberts). The Commission shall determine whether the above-designated nuts of foreign production are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any one or more of said programs or to reduce substantially the amount of any product processed in the United States from walnuts, filberts, pecans, or almonds.

A copy of the letter from the Secretary of Agriculture, relative to this investigation is attached.

Attachment.

DEPARTMENT OF AGRICULTURE,
Washington, D. C., January 30, 1950.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: It is hereby requested that you cause an immediate investigation to be made by the United States Tariff Commission, pursuant to section 22 of the Agricultural Adjustment Act, as amended, relative to the effect of importations of tree nuts on the tree nut programs of this Department. It is further requested that if it is found that imports tend to render ineffective or materially interfere with any tree nut program of this Department, appropriate quantitative limitations be proclaimed on entries of foreign tree nuts. This request is based on Executive Order No. 7233 of November 23, 1935, and on the preliminary investigation undertaken pursuant to such order.

A near-record large domestic crop of tree nuts, almonds, filberts, pecans, and walnuts (English) is indicated for 1949 and is expected to total 14.4 percent greater than the average for the period 1944–48. This supply will be augmented by imports whose rate of entry during the 1948 marketing season exceeded that of any season in the period 1927–47. The probable supplies in the domestic market are causing much concern, and six programs of this Department, three marketing agreements (walnuts, filberts, pecans) and three of payments (walnuts, almonds, filberts), conditioned on the exportation or the diversion of surplus stocks from normal channels of trade, are in operation for the 1949 marketing season.

In this 1949 season, approximately 35 percent of the total domestic consumption of tree nuts may be imports and at the same time 30 percent of the merchantable walnut pack and 25 percent of the merchantable filbert pack will be diverted to shelling and other outlets of low remuneration. Walnuts and almonds equivalent to approximately 14 and 11 percent, respectively, of each estimated crop are to be employed in outlets other than those of direct human consumption. The quantity of southeastern unshelled pecans which may be sold for unshelled consumption outside of the production area will be restricted through grade and size regulations.

A comparison of prices to domestic producers during the war and postwar years will show how the entry of competitively priced foreign tree nuts adversely affects domestic prices, and hence interferes with the price stabilization and price improvement efforts of this Department. During the war years of curtailed and uncertain imports, domestic farm prices for tree nuts were mostly at, or in excess of, their respective parity or comparable price levels. In comparison, in the 1948 season, when consumer purchasing power was at a record high level, imports of tree nuts exceeded the prewar 1935–39 average, and the domestic almond, walnut, and filbert growers received 78, 61, and 44 percent of parity, respectively. The attempt of distributors to sell an abnormally large volume of foreign nuts domestically has depressed prices below the levels to be expected from the increased domestic production as offset by improved marketing practices.

Article XI of the General Agreement on Tariffs and Trade (Department of State Publication 3107) prohibits the imposition of quantitative restrictions on the importation of commodities, but section 2 (c, i) and (c, ii) of said article permits import restrictions on any agricultural product, imported in any form, necessary to the enforcement of governmental measures which operate (1) to restrict the quantities of the like domestic product permitted to be marketed, or (2) to remove a temporary surplus of the like domestic product. The six previously mentioned programs of this Department are governmental measures within these two exceptions to the general prohibition. Consequently, a quantitative limitation on the importation of tree nuts, to the extent that such importation interferes with the governmental measures, would not be prohibited by the General Agreement on Tariffs and Trade.

Immediate action on the part of the Tariff Commission is advisable, as the injection of some certainty into the outlook for imports of tree nuts will assist the domestic groups in their merchandising efforts and can be expected to improve domestic prices. A draft of an order to the Commission, to be issued by you, is attached.

This Department will gladly make available statistical and other information that may be of value to the Tariff Commission in its investigation.

Respectfully yours,

CHARLES F. BRANNAN, *Secretary.*

Attachment.
Copy

THE WHITE HOUSE,
THE ASSISTANT TO THE PRESIDENT,
Washington, March 11, 1950.

The honorable the SECRETARY,
Department of State, Washington 25, D. C.

DEAR MR. SECRETARY: The Secretary of Agriculture has requested that the President cause an immediate investigation to be made by the Tariff Commission, pursuant to section 22 of the Agricultural Adjustment Act, as amended, relative to the effect of importations of tree nuts on the tree nut programs of the Department of Agriculture. He further requests that if it is found that imports tend to render ineffective or materially interfere with any tree nut program of the Department, appropriate quantitative limitations be proclaimed on entries of foreign tree nuts. Enclosed is a copy of the Secretary's letter together with his suggested draft of a letter from the President to the Chairman of the Tariff Commission.

Inasmuch as the duty on some of the tree nuts listed in the draft letter to the Tariff Commission has been reduced under the authority of the Trade Agreements Act, I believe that the President should have the views of your Department before requesting the Tariff Commission to make this investigation. In this connection your attention is especially directed to the paragraph in Mr. Brannan's letter to the President discussing article XI of the General Agreement on Tariffs and Trade.

I should appreciate the comments of your Department at your earliest convenience.

Sincerely,

JOHN R. STEELMAN.

Attachments.

APRIL 10, 1950.

The Honorable JOHN R. STEELMAN,
The Assistant to the President, the White House.

MY DEAR DR. STEELMAN: As requested in your letter of March 11, 1950, the Department of State has considered the request of the Secretary of Agriculture that the President cause an immediate Tariff Commission investigation, pursuant to section 22 of the Agricultural Adjustment Act, as amended, relative to the effect of importations of six designated nuts on the tree nut programs of the Department of Agriculture. This request has been reviewed by the Department in the light of paragraph (f) of section 22, which states that "No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party."

Based on the Department of State's present understanding of the facts as to the operation of the tree nut programs of the Department of Agriculture, this Department does not believe that it would be possible for the United States to impose quantitative limitations on imports of tree nuts pursuant to section 22 consistently with this country's international obligations as a contracting party to the General Agreement on Tariffs and Trade. However, the Department of State believes that the proposed investigation by the Tariff Commission should go forward in order to provide for the fullest possible review of the facts relating to the importation, domestic production, and marketing of tree nuts. The facts brought out by an investigation of this nature would assist in arriving at a final determination as to whether the imposition of import quotas for tree nuts would be consistent with the General Agreement on Tariffs and Trade.

In this connection, I wish to call attention to the suggestion contained in the memorandum of February 16, 1950, submitted to the President through the Bureau of the Budget that an interdepartmental Trade and Commodity Policy Committee be established to coordinate policy with respect to the tariff and to quotas and trade barriers generally. This committee would be one of the specialized interagency groups working on the "dollar gap" problem under the general coordination of Mr. Gordon Gray. In view of the basic questions involving interpretation and application of the general agreement which will arise from the Tariff Commission's investigation by virtue of paragraph (f) of section 22, it is suggested that, should the Trade and Commodity Policy Committee be established in the near future as contemplated, this committee might appropriately consider these aspects of the matter in the light of the Tariff Commission's investigation.

It is further suggested that the following statement be added to the first paragraph of the proposed letter from the President to the Chairman of the Tariff Commission: "In making such investigation you should make such findings of fact as will enable me to make a determination as to whether a proclamation

imposing quantitative limitations on imports of tree nuts would be appropriate under section 22, having regard to the provisions of paragraph (f)."

Sincerely yours,

JAMES E. WEBB, *Acting Secretary.*

JUNE 27, 1950.

The Honorable OSCAR B. RYDER,
Chairman, United States Tariff Commission.

MY DEAR MR. RYDER: Since giving Dr. Steelman our preliminary reaction to the proposal that the Tariff Commission investigate under section 22 the possible imposition of import restrictions on tree nuts, the Department of State has been studying further the relationship between such restrictions and the provisions of the General Agreement on Tariffs and Trade. This study raises a number of questions, which are outlined below, as to the consistency between the proposed restrictions and the agreement.

The obligations of the United States under the General Agreement on Tariffs and Trade include a general prohibition on quantitative restrictions on imports, with certain exceptions. As indicated below, it is questionable whether either of the two exceptions which might be considered applicable could be used to restrict imports in the present case of tree nuts.

Article XI (2) (c) (i) of the GATT permits the imposition of import restrictions on any agricultural or fisheries product when such restrictions are necessary to the enforcement of governmental measures which operate to restrict the quantities of the like (or directly substitutable) domestic product permitted to be marketed or produced. The parallel provision of the ITO Charter was clarified at Habana to read that the domestic measures must, in order to provide a basis for import restrictions, operate "effectively" to restrict production or marketing, and it is clear that the GATT article was intended to have the same meaning.

The following are considerations which appear to be relevant to any suggested use of this exception:

(1) No production control whatever is in effect for any of the nuts in question. Production of tree nuts has increased steadily, aided by price support, and is today three times the level of 25 years ago. The outlook is for further increases in production.

(2) There seems to be no over-all restriction in effect which limits the total quantity of any variety of tree nut which may be marketed. It is understood that the quantity of walnuts and filberts which may be marketed in the shell is limited, but no such limitation exists on the quantity which may be marketed shelled. With respect to pecans the current marketing order goes no further than to prescribe grade standards without placing any quantitative limitation on marketing either in the shell or shelled. As for almonds, there is no marketing agreement and order program in effect at the present time although one is proposed for the coming marketing season. It is not known whether or not such an order would restrict marketing of shelled as well as unshelled almonds.

(3) Further questions arise regarding the range of imported products which it is proposed to restrict as compared with the range of domestic products subject to restriction. The GATT makes clear that where import restrictions are being applied to make effective a domestic agricultural restriction program, the restricted imported product shall be like in character to the restricted domestic product, or if there is no substantial domestic production of the like product, shall be directly substitutable for the domestic product. This means that if we are restricting the marketing only of the unshelled type of a domestically produced nut, as in the case of walnuts and filberts, we would not be justified in restricting the imports of both the shelled and unshelled types of these nuts. In short, to justify the imposition of import restrictions on all types of a particular variety of nut which is domestically produced, it would be necessary to restrict the domestic marketing or production of these same types. Whether import restrictions would be justified on a particular variety of nut such as Brazil nuts, which is not produced domestically, would depend on whether it is directly substitutable for a domestic nut, say walnuts, which is subject to domestic restriction. Even in such case, however, it would not appear justifiable to restrict the imports of both shelled and unshelled Brazil nuts on grounds that they are directly substitutable for walnuts, if the unshelled but not the shelled walnuts are restricted domestically.

It is also questionable whether any restriction would result from import quotas on nuts established consistently with the GATT in the light of the principle contained in article XI (2) that import restrictions 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, paying due regard to past proportions between the two and to any special factors. Excluding 1941–45 when imports of some nuts were severely curtailed on account of the war, most previous periods would show average imports above present levels of imports. Furthermore, there appear to be no special factors which one might take into consideration in fixing a lower figure. The further increase in domestic output which seems in prospect could hardly be regarded as such a special factor unless it could be shown that it was taking place in spite of rather than as a result of the marketing programs now in effect.

Article XI (2) (c) (ii) of the GATT permits the imposition of quantitative restrictions on imports of any agricultural or fisheries product when such restrictions are necessary to the enforcement of governmental measures which operate to remove a temporary surplus of the like (or directly substitutable) domestic product by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level. The following considerations make it questionable, at least, whether this exception is applicable:

(1) There is no indication that the surplus situation in tree nuts is temporary, as the foregoing provision would require. Based on available information with respect to present bearing acreage for domestic tree nuts and the continuing upward trend in yields per bearing acre for walnuts, almonds, and filberts, it appears that domestic production of tree nuts will continue to increase over a period of years. Data available concerning acreage planted but not yet in production for certain nuts substantiate this conclusion. No reliable data are available on pecans, the crop of which is gathered from wild trees in amounts depending entirely on the price. There does not appear, moreover, to be any likelihood that an increase in domestic consumption sufficient to absorb total prospective production will occur. Continuing surpluses may therefore be anticipated unless tree-nut prices are allowed to fall in relation to other foods.

(2) It is questionable whether the surpluses of any of the nuts in question are being made available to domestic consumers free or below current market levels within the meaning of article XI (2) (c) (ii). Some almonds and some walnuts are being sold for crushing at prices below market prices with the aid of Federal payments to nut packers, but it is not clear whether these nuts constitute all of the surplus. Payments are being made for shelling a sizable part of the current filbert crop. For pecans there is no surplus-disposal program. In any event, what constitutes the surplus, all or a subsatntial part of which should be sold below current market prices in order to qualify for this exception, is a problem which would have to be resolved.

Moreover, in none of these cases is there direct distribution of any of the surpluses to end users at less than market prices, as is true in the case of food stamp plan operations, school-lunch programs, direct distribution to welfare organizations, and as was probably contemplated in the drafting of this exception.

(3) As in the case of possible use of article XI (2) (c) (i), the question arises whether imported shelled nuts are "like" or "directly substitutable" for the products, surpluses of which are temporarily being diverted.

For these reasons the Department questions whether article XI of the general agreement provides a basis for import quotas on tree nuts, and no other article has been suggested as a possible basis. Furthermore, the Department takes the view that it would be contrary to the interests and obligations of the United States to take any action inconsistent with part II of the general agreement, especially in view of the specific provision in subparagraph (f) of section 22 which provides that no proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party.

In the preceding discussion the Department has concerned itself only with the relationships of import restrictions on tree nuts to our international obligations. It has not taken up the question of whether imports of tree nuts are in fact materially interfering with our domestic nut programs. Even if import restrictions on tree nuts could be applied consistently with the GATT, it would, of course, still be necessary to establish that imports are materially interfering with our domestic programs before import restrictions could be applied in conformance with the requirements of section 22.

Sincerely yours,

WILLARD L. THORP,
Assistant Secretary
(For the Secretary of State).

Mr. BROWN. Sir, I will consider it.

Senator MILLIKIN. Well, thank you very much.

Mr. BROWN. I would have to get authority.

Senator MILLIKIN. Will you try to get authority?

Mr. BROWN. Yes, sir.

Senator MILLIKIN. Thank you.

Will you try to get it expeditiously? The witness has nodded an affirmative nod, let the record show.

I invite your attention, Mr. Secretary, to the fact that there is quite a little difference of opinion as to whether what you were doing under section 22 is in conflict with the trade agreements program. You recognize that there is such conflict?

Secretary BRANNAN. Yes; there have been some discussions about it.

Senator MILLIKIN. So that you can have no clear-cut testimony on the question as to what can or cannot be done; is that right? We can have clear-cut testimony, but I am speaking of decisive and determinative testimony that will not leave any fringes around it.

Secretary BRANNAN. I am sure the Senator understands that even though there may be some differences about it, it has not precluded operations by the Tariff Commission in the case of the articles which you made reference to sometime ago. In other words, it is not a block, and there are operations under section 22.

Senator MILLIKIN. That brings me to my next question: How many applications have been addressed to you for relief under section 22?

Secretary BRANNAN. I think we can supply that. Can we supply it immediately? That would take a short search of the file, Senator. We would supply that. I would assume there have been a number of those.

Senator MILLIKIN. May I assume it will be supplied?

Secretary BRANNAN. Yes, sir; it will be supplied.

(The information referred to follows:)

REQUESTS UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT

Statutory authority to initiate section 22 investigations was vested in the Secretary of Agriculture by the amendment of this section which became effective on June 7, 1950.

As a result of the Department's recommendations, hearings were held by the Tariff Commission on June 27 and 28 with respect to the interference of imports with tree-nut programs of the Department of Agriculture. The Department participated in the hearings and submitted a brief, dated August 17, which discussed the legal questions involved in the imposition of import quotas on nuts (copy attached). On the basis of its investigation, the Tariff Commission announced on December 1, 1950, its conclusion that as of then there was no basis for any action under section 22, but that the investigation would be continued with a view to giving prompt consideration to possible action should changed conditions warrant.

Below is a brief general review of requests for section 22 action received since June 7, 1950.

On June 24, 1950, a letter signed by a group of Congressmen was received, requesting that the Secretary of Agriculture proceed under the authority of the amended section 22 to initiate action by the Tariff Commission as to the effect of imports of cheese, dried milk powder, corn, barley, oats, dried beans, potatoes, pork, pork products, dried and shell eggs, and grapes on programs or operations of the Department of Agriculture.

It was concluded that the then-prevailing conditions did not justify a request by the Secretary to the President for section 22 investigations.

It was found that imports were above 1½ percent of domestic production only in the case of three of those commodities. In the case of barley, they amounted to 6.3 percent; in that of cheese, to 3.4 percent; in that of potatoes, to 2.5 percent.

In the case of barley, a significant quantity of the imports were of premium quality which were regularly imported for malting. These imports did not materially interfere with the domestic program.

The imports of cheese consisted of 80 percent of foreign-type cheeses which have traditionally been purchased by certain people in the United States who would not likely shift to American cheddar if these imports were cut off. Such cheeses sell well above the support price for American cheddar.

In the case of potatoes, total support purchases amounted to 75.3 million bushels in the crop year 1949, as compared with 10.2 million bushels of imports, consisting of 4.3 million bushels table-stock potatoes and 5.9 million bushels of seed potatoes. Thus, imports were not the major cause of the difficulties encountered by the potato price-support program.

As regards the other commodities listed in that letter, it was found that imports of dried milk (nonfat solids, whole, and malted), pork and pork products, shell and dried eggs, corn, dried beans, and grapes amounted, to less than 1 percent; and imports of oats to 1.4 percent of domestic production. These imports did not materially affect any domestic programs in effect for these commodities.

A number of other letters requesting similar action have been received with respect to the commodities mentioned above.

On its own initiative the Department had in the last half of 1950 under review the question as to what measures could effectively be taken to protect the domestic egg price-support program against competition from imports of dried eggs from Communist China. A number of letters on this question were received subsequently. As first step in this direction, the duty concession made under GATT to Nationalist China was terminated after the Nationalist Government of China had withdrawn from GATT. A further step under consideration was to use authority under section 22 to request imposition of a fee equivalent to 50 percent ad valorem. Before these preliminary reviews were concluded, the egg price-support program was terminated, however. Thus, the legal basis was removed for taking such an action.

A number of requests were received to impose an import embargo upon Polish ham. However, we did not have at that time any program in actual operation with which the importation of Polish ham would interfere.

On December 31, 1950, the California Fig Institute requested "that immediate consideration be given to the establishment and maintenance of import quotas which would enable our producers to remain solvent." No action could be taken in this case because there is at present no program in effect which would qualify this commodity for a section 22 action.

This summary does not include communications which were concerned with the general impact of imports on the domsetic market of some agricultural commodities, but did not specifically request section 22 action. For example, the National Grange expressed the opinion that "the apple growers of this country have a good case when they ask that Canada be given a definite quote of a million bushels a year for exports to the United States when the domestic commercial crop amounted to 100 million bushels or more * * *," but limited its request to placing apples on the supplementary list of commodities with the idea that changes in the tariff status of United States and Canadian apples be negotiated at Torquay. In accordance with this request which was supported by Senators Cordon and Cain, apples were placed on the negotiating list for Torquay Conference.

It should be noted that we have not had sufficient time to make an exhaustive search of all the files of all agencies of the Department which might have received correspondence regarding imports. Such would require a very great deal of detailed search and reanalysis letter by letter. However, on the basis of the review made to date, it can be said that individual requests for action under section 22 have been received on only a relatively small number of agricultural commodities.

JANUARY 30, 1950.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: It is hereby requested that you cause an immediate investigation to be made by the United States Tariff Commission, pursuant to section 22 of the Agricultural Adjustment Act, as amended, relative to the effect of importations of tree nuts on the tree-nut programs of this Department. It is

further requested that if it is found that imports tend to render ineffective or materially interfere with any tree-nut program of this Department, that appropriate quantitative limitations be proclaimed on entries of foreign tree nuts. This request is based on Executive Order No. 7233 of November 23, 1935, and on the preliminary investigation undertaken pursuant to such order.

A near record large domestic crop of tree nuts, almonds, filberts, pecans, and walnuts (English), is indicated for 1949 and is expected to total 14.4 percent greater than the average for the period 1944–48. This supply will be augmented by imports whose rate of entry during the 1948 marketing season exceeded that of any season in the period 1927–47. The probable supplies in the domestic market are causing much concern, and six programs of this Department, three marketing agreements (walnuts, filberts, pecans) and three of payments (walnuts, almonds, filberts), conditioned on the exportation or the diversion of surplus stocks from normal channels of trade, are in operation for the 1949 marketing season.

In this 1949 season, approximately 35 percent of the total domestic consumption of tree nuts may be imports and at the same time 30 percent of the merchantable walnut pack and 25 percent of the merchantable filbert pack will be diverted to shelling and other outlets of low remuneration. Walnuts and almonds equivalent to approximately 14 and 11 percent, respectively, of each estimated crop, are to be employed in outlets other than those of direct human consumption. The quantity of southeastern unshelled pecans which may be sold for unshelled consumption outside of the production area will be restricted through grade and size regulations.

A comparison of prices to domestic producers during the war and postwar years will show how the entry of competitively priced foreign tree nuts adversely affects domestic prices, and hence interferes with the price-stabilization and price-improvement efforts of this Department. During the war years of curtailed and uncertain imports, domestic farm prices for tree nuts were mostly at, or in excess of, their respective parity or comparable price levels. In comparison, in the 1948 season, when consumer-purchasing power was at a record high level, imports of tree nuts exceeded the prewar 1935–39 average, and the domestic almond, walnut, and filbert growers received 78, 61, and 44 percent of parity, respectively. The attempt of distributors to sell an abnormally large volume of foreign nuts domestically has depressed prices below the levels to be expected from the increased domestic production as offset by improved marketing practices.

Article XI of the General Agreement on Tariffs and Trade (Department of State Publication 3107) prohibits the imposition of quantitative restrictions on the importation of commodities, but section 2 (c, i) and (c, ii) of said article permits import restrictions on any agricultural product, imported in any form, necessary to the enforcement of governmental measures which operate (1) to restrict the quantities of the like domestic product permitted to be marketed, or (2) to remove a temporary surplus of the like domestic product. The six previously mentioned programs of this Department are governmental measures within these two exceptions to the general prohibition. Consequently, a quantitative limitation on the importation of tree nuts, to the extent that such importation interferes with the governmental measures, would not be prohibited by the General Agreement on Tariffs and Trade.

Immediate action on the part of the Tariff Commission is advisable, as the injection of some certainty into the outlook for imports of tree nuts will assist the domestic groups in their merchandising efforts and can be expected to improve domestic prices. A draft of an order to the Commission, to be issued by you, is attached.

This Department will gladly make available statistical and other information that may be of value to the Tariff Commission in its investigation.

Respectfully yours,

CHARLES F. BRANNAN, *Secretary.*

AUGUST 17, 1950.

Hon. OSCAR B. RYDER,
Chairman, United States Tariff Commission,
Washington, D. C.

DEAR MR. RYDER: At the public hearing held on June 28, 1950, in connection with Investigation No. 4, under section 22 of the Agricultural Adjustment Act (of 1933) as amended, on edible tree nuts conducted by the United States Tariff Commission, the Department of Agriculture was requested to submit to the Commission for its use a statement of the views of this Department on whether

import restrictions could be imposed without violating our international obligations. The enclosed statement has been prepared and is submitted in response to that request.

The Department has received several requests from representatives of the nut industry and other interested persons for copies of this statement. As stated above, this statement is submitted in response to the specific request of the Commission and for the purpose of assisting the Commission in the conduct of its investigation. The Commission may have requested similar statements from other interested Departments and governmental agencies, or other such departments and agencies may have submitted statements on their own initiative. In these circumstances, the Department has not furnished copies of its statement as requested by the nut industry, nor does it believe it necessary that the statement be made a part of the public record of this investigation. However, if the Commission desires to make all statements submitted by all interested Departments and governmental agencies a part of the public record of its investigation this Department will have no objection to the inclusion therein of the attached statement.

Sincerely yours,

RALPH S. TRIGG, *Administrator.*

INVESTIGATION NO. 4 UNDER SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT (OF 1933), AS AMENDED, ON EDIBLE TREE NUTS, CONDUCTED BY THE UNITED STATES TARIFF COMMISSION

INTRODUCTION

Pursuant to the direction of the President, dated April 13, 1950, the United States Tariff Commission instituted an investigation under section 22 of the Agricultural Adjustment Act (of 1933), as amended, and Executive Order No. 7233 of November 23, 1935, for the purpose of determining whether almonds, filberts, walnuts, Brazil nuts, or cashews are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with, any one or more of the programs undertaken by the United States Department of Agriculture with respect to walnuts, filberts, almonds, or pecans, or to reduce substantially the amount of any product processed in the United States from walnuts, filberts, almonds, or pecans. A public hearing was held in this investigation on June 27 and June 28, 1950, to receive evidence pertinent to the matter involved. At the hearing the Tariff Commission requested the views of this Department as to whether import restrictions could be imposed consistently with the international obligations of the United States.

STATUTES INVOLVED

The statute involved is section 22 of the Agricultural Adjustment Act (of 1933), as amended (7 U. S. C. 624), in effect on October 30, 1947, at the time of the signing of the General Agreement on Tariffs and Trade and section 22 as amended and reenacted by Public Law 579, Eighty-first Congress, second session.

On October 30, 1947, section 22 provided that whenever the President, on the basis of an investigation conducted by the Tariff Commission to determine the facts, found that imports are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken, or to reduce substantially the amount of any product processed in the United States from any commodity subject to and with respect to which any program is in operation, under the Agricultural Marketing Agreement Act of 1937, or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law No. 320, Seventy-fourth Congress, approved August 24, 1935, as amended, he shall impose such fees or such limitations on the total quantity of any article or articles which may be entered for consumption as he finds and declares shown by such investigation to be necessary to prescribe in order that the entry of such articles will not render or tend to render ineffective or materially interfere with any such program or operation undertaken, or will not reduce substantially the amount of any produce processed in the United States from any commodity subject to such program or operation.

Section 22, as amended by the Agricultural Act of 1948, and reenacted by Public Law 579, Eighty-first Congress, extended the protection of its provisions to any

loan, purchase, or other program or operation undertaken by the Department of Agriculture.

Paragraph (f) of section 22, as added by the Agricultural Act of 1948, and amended by Public Law 579, Eighty-first Congress, provides in part that no proclamation under that section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party.

THE INTERNATIONAL AGREEMENTS INVOLVED

The International Agreements involved are the trade agreement with Turkey (54 Stat. 1870) and the General Agreement on Tariffs and Trade entered into by the United States and certain other countries and which became effective provisionally on January 1, 1948 (Proclamation 2761A).

Article 7 of the agreement with Turkey provides that no prohibition, restriction, or limitation of any kind shall be imposed by the Government of either country on the importation of products originating in the other country except that, subject to the provisions of article 5, import restrictions may be imposed provided that the importation of the like products originating in all third countries is similiary prohibited or restricted. Article 5 reserves to the United States the right to impose quantitative restrictions on the products originating in Turkey, enumerated and described in schedule II of the agreement in conjunction with governmental measures operating to regulate the production or market supply or to control the prices of the like domestic product whenever the United States is satisfied that such quantitative restrictions are necessary to assure the effective operation of such measures. Shelled filberts are listed in schedule II.

Article XI, part II, of GATT provides that no quantitative restrictions shall be instituted or maintained by any contracting party on the importation of any product of any other contracting party. Article XI further provides that import restrictions on any agricultural or fisheries product, imported in any form, may be imposed when necessary to the enforcement of governmental measures which operate (1) 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 (2) 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.

The United States is applying GATT pursuant to the protocol of provisional application. That protocol states that the contracting parties agree to apply provisionally on and after January 1, 1948, part II of that agreement to the fullest extent not inconsistent with existing legislation.

The United States, therefore, is obligated to comply with the provisions of article XI, which is in part II, unless such compliance would conflict with legislation existing on October 30, 1947, which mandatorily required the President, under certain circumstances, to impose import restrictions.

SUMMARY OF ARGUMENT

1. The marketing agreement and order program for filberts currently in operation regulates the market supply of shelled and unshelled filberts. Quantitative restrictions on the importation of filberts are necessary to assure the effective operation of such measures. In these circumstances quantitative restrictions may be proclaimed by the President consistent with the obligations of the United States under the trade agreement with Turkey.

2. By reason of the protocol of provisional application, article XI of GATT is not applicable to import restrictions imposed under section 22 to protect the section 32 programs or to protect the marketing agreement and order programs for walnuts and pecans described in the Department's presentation at the public hearing. Therefore, the President may proclaim import quotas on almonds, filberts, walnuts, Brazil nuts, or cashews under section 22 consistent with the obligations of the United States under GATT as entered into on October 30, 1947.

3. Assuming the applicability of article XI of GATT, the establishment of import quotas under section 22 for almonds, filberts, walnuts, Brazil nuts, or cashews is consistent with the provisions of paragraphs 2 (c) (i) and 2 (c) (ii) of article XI in that import restrictions are necessary to the enforcement of governmental measures which operate (1) to restrict the quantities of the like domestic

product, or of a domestic product for which the imported product can be directly substituted, permitted to be marketed and (2) to remove a temporary surplus of the like domestic product, or of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers at prices below the current market level.

THE IMPOSITION OF IMPORT QUOTAS ON FILBERTS WILL NOT BE INCONSISTENT WITH OUR OBLIGATIONS UNDER THE TRADE AGREEMENT WITH TURKEY

Article 7 of the agreement with Turkey obligates our Government not to impose any restriction on the importation of any product originating in Turkey except that, subject to the provisions of article 5, import restrictions may be imposed if they are also applicable to like products originating in all third countries.

Article 5 obligates the United States and Turkey to permit the importation into the other country without any restriction whatsoever of the products of the other country enumerated in the schedules annexed and made a part of the agreement. Shelled filberts are included in the list of Turkish products set out in schedule II. Each Government, however, reserves the right to impose quantitative restrictions on the products included in these schedules in conjunction with governmental measures which operate to regulate the market supply of the like domestic product if that Government is satisfied that such quantitative restriction is necessary to assure the effective operation of such measures. In all cases where either Government proposes to establish or change such import restrictions it must give written notice to the other Government at least two months before they are put in force.

Since it is contemplated that any proclamation issued under section 22 as a result of this investigation and restricting the importation of filberts will be enforced on importations from all foreign countries and not on importations from only Turkey, there is no abrogation of the undertaking contained in article 7, provided the provisions of article 5 are also met.

An order regulating the handling of filberts grown in Oregon and Washington was issued pursuant to the Agricultural Marketing Agreement Act of 1937 and put into effect on October 1, 1949, by the Secretary of Agriculture.

This marketing order regulates the market supply of filberts by employing controls over the grade and volume permitted to be marketed. The grade regulation operates to restrict the volume which can be marketed by prescribing pack specifications of minimum standards of size and quality for packing unshelled filberts. The volume regulation included in the order further restricts the market supply of filberts in that it divides the merchantable pack of filberts and allocates it between the domestic unshelled market and other outlets such as shelling and export. In the 1949–50 season 75 percent of the merchantable pack could be sold as unshelled nuts and 25 percent could be shelled or used in outlets other than for distribution as unshelled filberts. As pointed out by the Department's witness at the public hearing this allocation is made to effect a market balance which will maximize grower returns and, when a volume of lower-priced imported shelled nuts upsets this contemplated market balance and purchases of domestic filberts are discontinued by industrial users, the effectiveness of the marketing order is greatly diminished. In these circumstances article 5 removes any legal objection to the imposition of import restrictions.

BY REASON OF THE PROTOCOL OF PROVISIONAL APPLICATION IMPORT RESTRICTIONS MAY BE IMPOSED UNDER SECTION 22 ON ALMONDS, FILBERTS, WALNUTS, BRAZIL NUTS, OR CASHEWS WITHOUT REGARD TO ARTICLE XI OF GATT

The United States, together with the contracting parties named in the preamble of the General Agreement on Tariffs and Trade, with the exception of Chile, are applying GATT pursuant to the protocol of provisional application dated October 30, 1947. The parties to this protocol undertake "to apply provisionally on and after January 1, 1948: * * * (b) Part II of that agreement to the fullest extent not inconsistent with existing legislation." The provisions of article XI are set forth under part II or GATT.

The effect of this protocol is to require the President, in administering GATT, to comply with the provisions of GATT to the fullest extent permitted by legislative existing at the time of the signing of the protocol. This means that where such legislation merely vests in the President certain authority which he may exercise in his discretion the protocol requires the President to exercise his discretion and administer such law in a manner which will not conflict with the provisions of GATT. On the other hand, where that legislation mandatorily requires the

President to take certain action the taking of that action is permitted by the protocol as not being in conflict with our obligations under GATT.

Paragraph (b) of section 22 states that if the President makes the requisite findings of fact he *shall* impose such fees or proclaim such quantitative limitations as are found to be necessary in order that the imports will not interfere with the program or reduce substantially the amount of any produce processed in the United States from any agricultural commodity or product thereof subject to such program. That the issuance of a proclamation in such circumstances is mandatorily required of the President is evident not only from the language of the statute but also from the debate in Congress on the recent amendment of section 22. In discussing the differences between the Magnuson-Morse amendment to H. R. 6567 and the language of the conference substitute the following statements were made:

"Mr. ELLENDER. Is it not a fact that after the findings are made by the Department of Agriculture the President *may* by proclamation impose fees, and so forth? [Italics supplied.]

"Mr. MAGNUSON. That is correct. It is permissive.

"Mr. ELLENDER. The present law says it *shall* be done. Is that not a fact? [Italics supplied.]

"Mr. MAGNUSON. No.

"Mr. ELLENDER. Let me read to my good friend section 22 in that respect.

"Mr. MAGNUSON. Let me interrupt my friend. Section 22, yes; but section 22 has been nullified by subsection (f), and the President has never taken such action.

"Mr. ELLENDER. I thought my good friend from Washington admitted last Friday in debate that as to any crops which can be controlled either through marketing agreements or any other production controls, the conference provision will be as effective as section 22 under the amendment of the Senator from Washington and the Senator from Oregon.

"Mr. MAGNUSON. Oh, I think it would be as effective if section (f) were knocked out, but the conference procedure will have no effect at all.

"Mr. ELLENDER. Is not the difference in procedure only this: Under the conference agreement the Secretary of Agriculture initiates the matter?

"Mr. MAGNUSON. The same as under section 22.

"Mr. ELLENDER. No. Under section 22 the President does it, and then the second step, as to who shall carry on this investigation, the Senators' amendment provides that the Department of Agriculture shall make the investigation——

"Mr. MAGNUSON. The investigation shall be made by the fact finders.

"Mr. ELLENDER. Whereas under the conference agreement it remains as it is.

"Mr. MAGNUSON. It is with the Tariff Commission. They are the fact finders.

"Mr. ELLENDER. Yes. The essential difference from that point between the Senators' amendment and what the conference report proposes is that if the Secretary of Agriculture makes a finding, the President may exercise a certain right given to him under section 22. *Whereas under our compromise agreement the President shall by proclamation impose such fees and so forth as are provided under the law.* [Italics supplied.]

"Mr. MAGNUSON. After the finding by the Tariff Commission.

"Mr. ELLENDER. Certainly.

"Mr. MAGNUSON. That is my point.

"Mr. ELLENDER. And after the finding by the Department of Agriculture, the President may invoke section 22. The point I am urging upon my distinguished friend is that under the Senators' amendment the President *may* do a thing, *but under the conference report provision he shall do it.*" [Italics supplied.]

Further on in this colloquy Senator Ellender stated:

"I have in mind the findings under the Senator's amendment, after the findings are made by the Secretary of Agriculture, the President may act. However, under the findings made by the Tariff Commission, the President, must act, according to the provisions of the conference report." (96 Congressional Record 9298).

This particular provision of section 22 was again explained by Senator Ellender in the following language:

"* * * The present law states that if a finding is made, and if that finding shows that the entry of any commodity into this country will do violence to the producers of similar commodities here, the President shall impose such ad valorem fees. The conference report *makes it obligatory on him to do it*, whereas in the case of the Magnuson Amendment he is not obligated to do it" (96 Congressional Record 9302). [Italics supplied.]

In a subsequent colloquy with Senator Morse, Senator Ellender again distinguished the present provision of section 22 from that proposed by the Magnuson-Morse amendment in that the latter changed the word "shall" to "may" and thereby did not provide as does the present law that the President, after the facts are found, must act to the extent shown by the findings (96 Congressional Record 9304, 9305).

It is submitted, therefore, that the proclaiming of quotas by the President as authorized and directed by section 22 on October 30, 1947, is not inconsistent with our obligations under GATT.

On October 30, 1947, and prior to its amendment by the Agricultural Act of 1948, on July 3, 1948, section 22 authorized and directed the President to proclaim such quotas as he found necessary to protect the programs undertaken by this Department under the Agricultural Marketing Agreement Act of 1937 and under section 32 of Public Law No. 320, Seventy-fourth Congress, approved August 24, 1935. At that time marketing agreement and order programs were authorized for walnuts and pecans. In fact, an order regulating the marketing of walnuts was actually in effect. An order regulating the marketing of pecans was put into effect on September 20, 1949 (14 F. R. 5737). Section 32 programs on walnuts, almonds, and filberts were in effect during the 1949-50 marketing season. The Department's testimony at the hearing explained the nature of these programs and the extent of the interference therewith caused by imports of foreign edible tree nuts. Should the President find, therefore, on the basis of the Commission's investigation that walnuts, filberts, almonds, Brazil nuts or cashews are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any one or more of the marketing agreement and order programs undertaken by this Department with respect to walnuts and pecans or with any of the section 32 programs with respect to walnuts, almonds, and filberts, or to reduce substantially the amount of any product processed in the United States from walnuts, filberts, almonds, or pecans, he must proclaim such quotas as are found necessary to protect these programs and such proclamation can be enforced without violating our obligations under existing international agreements.

THE ESTABLISHMENT OF IMPORT QUOTAS UNDER SECTION 22 FOR ALMONDS, FILBERTS WALNUTS, BRAZIL NUTS, OR CASHEWS IS CONSISTENT WITH THE PROVISIONS OF PARAGRAPHS 2 (C) (I) AND 2 (C) (II) OF ARTICLE XI OF GATT

Paragraph 1, article XI of GATT, prohibits the institution or maintenance by a contracting country of any quantitative restriction on the importation of any product of any other contracting country. Certain exceptions to this general prohibition are set forth in paragraph 2. The pertinent exceptions are found in paragraph 2 (c) (i) and paragraph 2 (c) (ii) which provide that import restrictions may be imposed on any agricultural product when necessary to enforce governmental measures (1) which restrict the quantities of the like domestic product, or of a domestic product for which the imported products can be directly substituted, to be marketed or produced, or (2) which remove a temporary surplus of the like domestic product, or of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers at prices below the current market level.

Marketing agreement and order programs undertaken under the Agricultural Marketing Agreement Act of 1937, as amended, are currently in operation for walnuts, pecans, and filberts. On August 1, 1950, the Secretary of Agriculture issued a marketing agreement and order for the handling of almonds grown in California, which became effective upon the publication thereof in the Federal Register of August 4, 1950 (15 F. R. 4993). The Tariff Commission will, of course, take judicial notice of this order so that the almond program may be considered and made a part of the Commission's report and recommendations to the President.

The cardinal goal of these marketing agreement and order programs is to establish and maintain such orderly marketing conditions for those commodities as will establish and maintain prices to farmers at the parity level specified in the statute. This objective is accomplished by restricting the amounts permitted to be marketed. Such restriction is effective through regulations on the volume and regulations on the grade and size permitted to be marketed. The walnut, pecan, and filbert orders restrict the total volume produced which is permitted to be marketed by prohibiting the marketing of any of these nuts which do not meet prescribed specifications of grade and size. The walnut and filbert orders

further restrict the amount permitted to be marketed through volume regulations which divide the merchantable pack (which is determined by the grade regulations), prohibit the marketing of more than the specified percentage as unshelled nuts, and direct the remainder to be shelled, exported, or in the case of filberts, otherwise disposed of outside the unshelled market. During the 1949–50 season the volume of the merchantable pack of walnuts permitted to be marketed in unshelled form was restricted to 70 percent of the pack while only 75 percent of the merchantable pack of filberts were permitted to be sold in the in-shell market. The marketing order for almonds does not provide for any regulation of grade but directly restricts the quantity permitted to be marketed in all domestic markets. Any production in excess of such quantity must be either sold for export or salvage outlets, such as to crushers of oil materials.

A detailed description of these programs was presented at the hearing by the Department's witness who also testified that in the 1949 season these programs effectively prevented through grade and size regulations alone, approximately 15.5 percent of the total production under marketing control from moving to interstate markets for unshelled sale. The testimony of the Department's witness together with other evidence presented at the hearing clearly demonstrates that the marketing order programs in effect on walnuts, filberts, and pecans effectively restrict the marketing of such commodities. Such testimony also discloses the extent that the importation of Brazil nuts, cashews, filbers, walnuts, and almonds interfere with these planned programs and that import restrictions are necessary to the effective operation thereof so as to assure the accomplishment of the objectives and purposes of the Agricultural Marketing Agreement Act of 1937, as amended.

In the light of this testimony it is our view that the marketing orders on walnuts, pecans, filberts, and almonds are governmental measures which effectively restrict the quantities of these commodities permitted to be marketed; that import restrictions are necessary to the enforcement of these governmental measures; and, therefore, import restrictions may be imposed without contravening GATT because paragraph 2 (c) (i) of article XI permits such action.

Paragraph 2 (c) (ii) of article XI of GATT permits the imposition of import restrictions on an agricultural product when, as here, they are necessary to the effective enforcement of governmental measures which operate to remove temporary surpluses of a like domestic product or of a domestic agricultural product for which the imported product may be directly substituted, by making the surplus available to domestic consumers at prices below the current market level.

The section 32 programs on filberts, almonds, and walnuts were used to remove surpluses of these commodities and thus to increase the return to the growers from their marketed product. The usually favorable weather conditions of the 1949 season, which resulted in all-time-record crops of almonds and filberts and walnuts, disrupted the balance in the market sought to be established by the marketing orders and placed upon the domestic industries surpluses for which they temporarily had no developed outlet. In order to remove those temporary surpluses, which were estimated as 8.5 million pounds of kernels for walnuts, 5 million pounds of shelled almonds, and 6 2 million pounds of filberts, these quantities were diverted from normal channels of trade and commerce and made available to domestic consumers at prices below the current market level under diversion programs undertaken by this Department.

The unrestricted entry of like or substitutable foreign nuts results in a replacement of part or all of the surplus sought to be removed. Therefore, the imposition of import quotas on the like foreign nut or the foreign nut for which the domestic nut can be directly substituted, is permissible under GATT and will not conflict with our obligations under that agreement.

THE IMPOSITION OF IMPORT QUOTAS ON IMPORTED CASHEWS, BRAZIL NUTS, FILBERTS, AND WALNUTS UNDER SECTION 22 DOES NOT VIOLATE THE PROVISIONS OF ARTICLES II AND XXVIII OF GATT

It was argued at the hearing by the Peanut and Nut Salters Association that the application of section 22 to imported cashews, Brazil nuts, filberts, and walnuts would contravene article II and article XXVIII of GATT. The reasons presented, however, do not support the argument.

Article II establishes schedules of tariff concessions and provides that the products listed therein shall be exempt from ordinary customs duties in excess of those set forth and provided for therein. Such products are also exempt from all duties or charges of any kind imposed on, or in connection with, importation in excess of those imposed on the date of the agreement or those directly

or mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date. Cashews, filberts, Brazil nuts, and walnuts are listed in the schedule.

Article XXVIII provides for the modification of these tariff schedules on or after January 1, 1951, such modification to be made by direct negotiation between the countries primarily concerned.

It is apparent that articles II and XXVIII are not directly involved unless the action taken under section 22 is one of imposing additional fees on the importation of cashews, filberts, Brazil nuts, or walnuts. It is not contemplated that the Commission in its report to the President of its investigation of this matter will recommend that fees be imposed as a means of curtailing imports on tree nuts. As pointed out by the Department's witness at the hearing, the imposition of a 50-percent ad valorem fee, the maximum permitted by section 22, will not remove the interference complained of. For that reason this Department recommended to the President that quantitative restrictions be imposed in this instance. Representatives of the domestic nut industry likewise testified that quantitative restrictions and not additional fees would be needed to remove the interference of imports with the domestic tree nut programs undertaken by this Department.

The association's argument, however, appears to be to the effect that the imposition of quotas will nullify or impair the tariff concessions included in GATT and for this reason will contravene articles II and XXVIII. It was further pointed out that if such nullification or impairment should result then under artcile XXIII a contracting party to GATT would be free to withdraw any concessions made by it.

It is conceivable that a contracting party may allege that quantitative restrictions by the United States on the importation of nuts nullify or impair the tariff concessions made by this country on such products. Such charge can be made under article XXIII even though the imposition of the quotas is not in violation of any provision of GATT. The fact that a contracting party may claim that its benefits under GATT are being impaired or nullified, however, does not preclude action under section 22. To argue otherwise would lead to the conclusion that section 22 could never be invoked for any agricultural product covered in the tariff schedule of GATT. Such conclusion makes ineffective or inoperative the permissive action reserved to each contracting party under the exceptions to the prohibition contained in article XI, and goes far beyond the limitation contained in paragraph (f) of section 22. The congressional debate during the recent amendment of section 22 plainly reveals that Congress did not intend to prohibit the enforcement of a proclamation issued under section 22 in those instances where the findings of the President met the requirements of the exceptions to article XI and therefore permitted the imposition of import restrictions. On the contrary, the intention of the Congress was more forcefully expressed that in such instances the President is required to take action under section 22.

CONCLUSION

For the foregoing reasons, it is submitted that import quotas may be proclaimed on almonds, walnuts, filberts, Brazil nuts or cashews without contravening the provisions of any international agreement to which the United States is a party.

Respectfully submitted.

RALPH S. TRIGG,
Administrator, Production and Marketing Administration,
EDWARD M. SHULMAN,
Associate Solicitor,
A. R. DEFELICE,
Attorney,
United States Department of Agriculture.

Senator MILLIKIN. So that out of the applications that have been made over all these years, despite the complaints that we hear in all these hearings about agricultural commodities having been unfairly treated by virtue of imports, we have had two completed actions calling for some kind of action by the Tariff Commission.

Secretary BRANNAN. That is approximately correct, sir.

Senator MILLIKIN. Well, does that not make it rather apparent that section 22 as it is now written does not give very much relief?

Secretary BRANNAN. Well, Senator, that does not follow at all, because it does not follow that each application was a meritorious

application to begin with, even so meritorious that we found it necessary to send it on.

Senator MILLIKIN. I would agree with you as a matter of generality, but I think you have had a large number of applications, especially when you compare all the applications with the standards of the relief.

Secretary BRANNAN. Senator, you must remember that the people who represent many of these applications have a very special and usually very confined, narrow interest in a specific commodity, and they do not take a look at the problem in the broad sense. You cannot be critical of them for not taking a look at it in the broad sense, but it is our duty to look at it in its total implications to the extent that our authority runs that far.

Senator MILLIKIN. I suggest, Mr. Secretary, it is your duty to carry out the law, which requires that you consider the individual situation of the applicant.

Secretary BRANNAN. That is correct, sir.

Senator MILLIKIN. And that if he is being injured under the formula of the law, he is entitled to relief, and that he should not be denied relief because you want to become stratospheric and consider everything else in the world.

Secretary BRANNAN. But, Senator, whether or not he is being injured in a manner which can be repaired or corrected by the use of this particular provision is a question for which some discretionary power is placed in the Secretary of Agriculture.

Senator MILLIKIN. I would not for a moment contend that these problems can be considered in strict vacuo, but I am stating that section 22, according to my memory of its reading, does not give you authority other than to consider the particular case before you, and if that particular industry is being injured, it calls for your recommendation for relief. Is that not correct? And if it is being injured, you have no right because of these broader considerations we are talking about to deny the application. Do you agree with me on that?

Secretary BRANNAN. Senator, if it was being injured by a circumstance or cause which could not be repaired by the operations of section 22, then I think there would be no occasion for referring it on to the Tariff Commission.

Senator MILLIKIN. Can you think of any cases of that kind?

Secretary BRANNAN. Senator, I very frankly state to you what the Senator knows, and every other member of the committee knows, that I do not have a personal knowledge of each case.

Senator MILLIKIN. I do not charge you with that.

Secretary BRANNAN. I have considered many of them, and the exact precise reasons for having taken one course or another in each case of those that I have personally considered does not stay in my memory. I would be very happy to supply any information or details about it.

Senator MILLIKIN. All right.

Secretary BRANNAN. If the committee wishes.

Senator MILLIKIN. Can you supply us with this information: What are the provisions of GATT respecting quotas? Give me the gist of them.

Secretary BRANNAN. Generally with respect to agricultural commodities the provisions now are that the negotiated terms shall remain in force and effect, negotiated levels of tariffs shall remain in force and effect, subject to about two or three exceptions.

Senator MILLIKIN. Yes.

Secretary BRANNAN. One of those is, if I recall correctly now, that where an unusual hardship has occurred with respect to the commodity we have the right to suspend the previous negotiation.

Senator MILLIKIN. But if you impose quotas——

Secretary BRANNAN. The tariff concessions are also subject to being withdrawn after December 1953.

Senator MILLIKIN. May I suggest to the Secretary that the central thought, one of the central thoughts of GATT, is against the imposition of quotas? Then there comes a large system of exceptions which allows every member of GATT to do exactly as it pleases. Would the Secretary seriously dispute that? I am prepared to demonstrate it. It is very long and tedious. Anyone who reads GATT is liable to have his sanity impaired. But I am prepared to demonstrate that, if there is any serious resistance to it.

Secretary BRANNAN. Senator, certainly there are many exceptions to the initially stated broad terms, designed, I am sure, to make the document workable and adaptable to particular and special circumstances.

Senator MILLIKIN. So that you feel that we are at liberty to impose quotas under section 22?

Secretary BRANNAN. We are at liberty within limitations to impose quotas under section 22.

Senator MILLIKIN. And does GATT give you that authority?

Secretary BRANNAN. Not precisely me, but the Commission.

Senator MILLIKIN. You are responsible for the first step of this whole section 22 procedure.

Secretary BRANNAN. I am responsible for initiating.

Senator MILLIKIN. In other words, the letter to which I referred will show your awareness and your consciousness of GATT in relation to this whole problem.

Secretary BRANNAN. The obligation to initiate actions.

Senator MILLIKIN. Yes. That you are aware of the terms of GATT, and that you do not believe that you are violating GATT when you put on quotas.

Secretary BRANNAN. Under a given set of circumstances that is entirely correct, Senator.

Senator MILLIKIN. And that in this particular case of nuts you found yourself in conflict with the Secretary of State on that.

Secretary BRANNAN. There is differences of opinion, normally and every day.

Senator MILLIKIN. I am speaking now as to this particular case.

Secretary BRANNAN. I think that is the way it works.

Senator MILLIKIN. Now, if you do not challenge the basic jurisdiction of Congress over the subject, you do not challenge the right of Congress to take out of section 22 that language which binds the relief that you give to the terms of GATT?

Secretary BRANNAN. Senator, I am not challenging the power of Congress to do anything in this circumstance. All I have been trying to do is point out that if they do what is proposed by section 8 we will have in effect destroyed GATT.

Senator MILLIKIN. I suggest to you that if you follow GATT literally under some interpretations of GATT, and some pretty sound ones, that you have destroyed section 22; and that one of the problems

before this committee is whether to take out that restriction which was put in that aroused this particular dispute to which I refer in the case of nuts.

Secretary BRANNAN. Senator, all I can say, if there is need for that, certainly section 8 as it is drafted now is not the route.

Senator MILLIKIN. As a generality, do you not believe if we are going to have support price programs in this country we cannot allow imports to tear them to pieces? Will you not agree with that?

Secretary BRANNAN. Surely, that is correct.

Senator MILLIKIN. Certainly. And that from your standpoint as Secretary of Agriculture, you feel that the imposition of quotas under certain circumstances, as you put it, may be the only competent remedy to achieve that result; is that correct?

Secretary BRANNAN. That may be.

Senator MILLIKIN. I wish you would say whether it is or or is not.

Secretary BRANNON. I think that is correct under certain circumstances. But, Senator, that does not mean that an automatic provision such as carried in section 8 is in any way defensible.

Senator MILLIKIN. I am not arguing section 8 now. I am just trying to get it buttoned down here that there is nothing offensive about quotas to the Secretary of Agriculture to effect the destruction of our domestic support price programs by quotas.

Secretary BRANNAN. Certainly no one in the Department of Agriculture can say that because we have defended the Sugar Act and other acts which provide for quotas.

Senator MILLIKIN. That is right, and I wanted that very clear of record because in considering section 8 there are a lot of basic questions to be considered, and I have been questioning you on some of those basic questions.

You referred to potatoes. Would you deny that the import of potatoes had serious impact on the price-support program?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. You deny that?

Secretary BRANNAN. I deny that categorically.

Senator MILLIKIN. You do not believe that the way that was handled aroused great doubts as the validity and the usefulness of the support price programs?

Secretary BRANNAN. No. The very character of the support price program with respect to potatoes is the thing that undermined the faith in that program.

Senator KERR. Would you repeat that, Mr. Secretary?

Secretary BRANNAN. The very essence of the law under which you could carry on the price-support program with respect to potatoes is the thing which has destroyed the potato price program.

Senator KERR. Under which you did or under which you had to?

Secretary BRANNAN. I believe that is the difference.

Senator MILLIKIN. At the present time you have no support price program for potatoes?

Secretary BRANNAN. Senator, that is technically correct, with this exception: that we are still supporting last year's crop.

Senator MILLIKIN. Yes.

Secretary BRANNAN. We are not supporting the new crop, but we are still supporting last year's crop, and buying some potatoes under it.

Senator MILLIKIN. The impact of policies calling for the support of potatoes during the period of time when there was a support for potatoes was such that great discredit came upon the price-support program, especially as regards potatoes; is that not correct?

Secretary BRANNAN. No, Senator; it is not correct. If the Canadians had not sent a single potato into this country, the potato price-support program would have been as much embarrassment as it is today. Not a single potato need have come into this country to have caused great losses, and I assume that embarrassment stems out of the losses.

Senator MILLIKIN. Mr. Secretary, if you have a surplus, a big surplus, a gigantic surplus of any product, agricultural or industrial, and you add to that the pressures of imports, does that not have a destructive effort upon the price-support program, at least of that particular product? How can you avoid that conclusion?

Secretary BRANNAN. Senator, by the same reasoning, a man dead of 21 bullet holes is not seriously injured by the twenty-second.

Senator MILLIKIN. That may be the one that finishes him off.

Secretary BRANNAN. No. I said the man is dead by the 21 bullet holes, and the twenty-second does not make any difference.

Senator MILLIKIN. So that would not make any difference?

Secretary BRANNAN. That is right.

Senator MILLIKIN. But a careful physician aims to keep the patient well before the fatal disease sets in.

Secretary BRANNAN. Senator, we would have lost the $500 million on potatoes without reference to whether the Canadians shipped in a single potato to this country.

Senator MILLIKIN. I ask you again, Mr. Secretary, if you have a great surplus of any agricultural product, is it not a clear matter of logic that if you introduce to that overglutted market an additional supply of the same thing that you are weakening your price structure and you may make the price support of that particular product so ridiculous that it would be rejected? Is that not correct?

Secretary BRANNAN. Well, Senator, that has got quite a bit of involvement in that sentence.

Senator MILLIKIN. You straighten it out.

Secretary BRANNAN. Let me answer it in this way: Senator, we had about 50 million bushels of surplus in either 1948–49 or 1949–50 season. I would say, too, that after the first 10,000,000 of surplus, or even less than that came into the market, it depressed the market until it rested on the support level, and another 40 million on top of that didn't make any more difference. It was pinned to the support level just as hard as if you had nailed it to this table, and adding 10 other nails on top of it didn't make a bit of difference.

Senator MILLIKIN. It cost a lot of money, did it not?

Secretary BRANNAN. The fact of the imports of the Canadian potatoes cost us very little additional money, and if we had not allowed them, it would have cost us many, many million dollars in citrus and in many other commodities.

Senator MILLIKIN. But in effect did not those imports increase the amount of potatoes under your price-support program that you had to take over?

Secretary BRANNAN. Theoretically, that is true, Senator. Theoretically we bought out of the domestic market something equivalent to six

or seven million bushels of potatoes one or the other year, but we would still have bought 40 to 45 million bushels of potatoes if Canada were not our northern neighbor.

Senator BREWSTER. What was the cost of the support program for potatoes in the 1948–49 crop?

Secretary BRANNAN. Senator, I do not keep all those figures in my mind, but you and I know it was somewhere around——

Senator BREWSTER. One hundred million?

Secretary BRANNAN. Yes; around that. I was going to say the figure of $90 million.

Senator BREWSTER. Between 90 and 100 million?

Secretary BRANNAN. Yes.

Senator BREWSTER. What was it in 1950?

Secretary BRANNAN. Well——

Senator WILLIAMS. Seventy-five.

Senator BREWSTER. Less than that. Around 50 million. Between 50 and 60, I should say. It might have been around 50 to 55, I believe. What I am coming at is that was under the 60-percent parity, after we had reduced potatoes to 60 percent of parity, had we not?

Secretary BRANNAN. Yes, sir; I had.

Senator BREWSTER. Which made a very great difference in the situation.

Secretary BRANNAN. It made some difference, but the chief thing, Senator, as you well know, was the determination not to spend about $1.15 a bushel moving potatoes after we had already invested in the price support.

Senator BREWSTER. Well now, in the 1948–49 year you did take some steps to restrict Canadian potatoes, did you not?

Secretary BRANNAN. We did not.

Senator BREWSTER. You did not?

Secretary BRANNAN. They did.

Senator BREWSTER. I know.

Secretary BRANNAN. They limited them.

Senator BREWSTER. How did Canada happen to restrict the export of Canadian potatoes to the United States? Was that a result of their own desire to stop?

Secretary BRANNAN. I think we probably told them that we wished they would.

Senator BREWSTER. Probably.

Secretary BRANNAN. We told them we wished they would.

Senator BREWSTER. You told them unless they took some action to stop those potatoes coming in here you would have to impose restrictions; isn't that so? And they voluntarily agreed with you that they would not allow the export of any but seed potatoes during certain seasons; is that not correct?

Secretary BRANNAN. They just curtailed the shipment.

Senator BREWSTER. They said they would not let any more table stock come in, and they would cut it down to the seed potatoes, which immediately became edible, and there were gross violations of the agreement, but you still had the agreement. If it had been lived up to by both Canada and this country and enforced by you, the picture would have been, of course, very different. But now if that agreement seemed advisable in 1948–49, why was it dropped in 1949–50?

Secretary BRANNAN. Because no appreciable number of potatoes have moved out of this year's crop. Excuse me. 1949–50?

Senator BREWSTER. Yes. What were the imports in the 1949–50 season?

Secretary BRANNAN. Around 10 million bushels.

Senator BREWSTER. And what did those cost—around 12 to 15 million? What were you paying for your support then?

Secretary BRANNAN. Something less than a dollar.

Senator BREWSTER. So that it cost around $10 million, the potatoes you had to buy?

Secretary BRANNAN. No. Now, Senator, remember that at least 3½ million of those potatoes came in exclusively as seed stock, and presumably would not have come in or have any impact upon the price support program. If they did not move for human food, then they did not compete with the American potato in the market place.

Senator BREWSTER. You mean we do not produce seed potatoes in the United States?

Secretary BRANNAN. Yes, we produce seed potatoes in the United States, but just the same we are supporting the table stock in the aggregate, and the potatoes that came in and did not go into the market to compete with American potatoes in the grocery stores in my opinion did not——

Senator BREWSTER. You mean because of the fact they were seed potatoes they did not displace American potatoes?

Secretary BRANNAN. That is right.

Senator BREWSTER. That is a very curious argument. Do you mean to say the seed potatoes are not a part of the United States production?

Secretary BRANNAN. They are.

Senator BREWSTER. If they are not absorbed by the market, you buy them whether they buy them for table stock or for seed?

Secretary BRANNAN. As a matter of fact, some of them come in at rather high prices for seed and probably could not move in the table stock market at all.

Senator BREWSTER. Are you not familiar with the extent to which after that Canadian agreement they brought the potatoes in for seed and sold them as table stock—the gross number of violations of that?

Secretary BRANNAN. We do not know—you may be prepared to say who did the violations. I am not prepared to say.

Senator BREWSTER. I am prepared to say, because, perhaps you forget it, but I took it up with you, and you chased us around from the State Department to the Agriculture Department to the Tariff Commission and to the Treasury, and we never could find out who is supposed to enforce this agreement. The agreement was there, but each one of you denied responsibility for enforcing the agreement. Are you familiar with that or are you not?

Secretary BRANNAN. I am not familiar with it.

Senator BREWSTER. Your recollection is at fault. But coming back to the amount, have you figures for what it cost you in 1949–50? Has he given you those?

Perhaps you should let him hunt those up, and I will ask you later. Let him look at your figures, if he can.

Secretary BRANNAN. All right.

Senator BREWSTER. Then it is a fact in the 1948–49 season, as a result of developments you took steps which did result in restrictions on Canadian imports or exports of potatoes to us?

Secretary BRANNAN. Senator, we asked the——

Senator BREWSTER. Canadian Government.

Secretary BRANNAN. To take a look at the impact that was alleged to be, alleged to have resulted from their exports of potatoes.

Senator BREWSTER. From their exports; yes.

Secretary BRANNAN. But, Senator, that does not by any stretch of the imagination mean if they had not sent a single potato we would not have had the same difficulties in the United States as we had under the price support operations.

Senator BREWSTER. Just a minute. That is another matter of opinion. You did, at any rate, in 1948–49 take steps to restrict the imports of Canadian potatoes because of the impact they were having on the American market and the American support program; is that not right?

Secretary BRANNAN. On the attitude of the people toward the program.

Senator BREWSTER. Because there was great popular protest at buying up American potatoes and dumping them while you were importing or permitting the import of large quantities of Canadian potatoes?

Secretary BRANNAN. That is right.

Senator BREWSTER. And that did arouse tremendous public feeling did it not?

Secretary BRANNAN. Yes. But where should we have been doing the work to correct that situation? We should have been doing it on our price support operation, not on our foreign relations. Now, I am saying the fault was in the price support operation which was mandatory under the law. That is what I am saying, and we came—Senator Anderson, when he was Secretary of Agriculture, came to the Senate and the House year after year after year and testified and sent letters, and I followed in his footsteps in testifying and sending letters saying, "This is not a workable program. Please change it."

Senator BREWSTER. Unfortunately, the Congress was evidently not amenable to your arguments and so you had a law.

Secretary BRANNAN. Yes, sir.

Senator BREWSTER. And now you say because that law was not what you desired, you would deliberately allow 10 million bushels of Canadian potatoes to come in which would cost you $10 or $12 million at that time—the support price then was $1.50, I believe. That was 1948–49.

Secretary BRANNAN. Yes.

Senator BREWSTER. So it was costing you 12 or 15 million dollars to expose the inadequacies of your law that you did not like.

Secretary BRANNAN. And whatever it was costing us was only a very, very small fraction of the over-all cost, and the embarrassment to the program arose out of the great aggregate costs and not out of this little instance with Canada.

Senator BREWSTER. I realize that 12 or 15 million dollars isn't very much to some of the vast sums you are spending.

Secretary BRANNAN. I have not said that by any stretch of the imagination. What I am saying, I am drawing the proportionate impact of $10 million on $90 million.

Senator BREWSTER. Have you got the figures now for 1949–50?

Secretary BRANNAN. Mr. Zaglits, you will have to read that. That is too small a type for me.

Mr. ZAGLITS. I will have to get the other glasses.

Senator BREWSTER. I wish you would write the figures out so we can read them. I would like to have him testify to it. Give him the figures for 1948–49 and 1949–50. Those are the figures I would like to have.

Secretary BRANNAN. Mr. Chairman, I might comment—and I am not complaining—but this is not the best light to read small figures by.

The CHAIRMAN. No; it is a very poor light.

Senator BREWSTER. I am sure you need more light, and that is what I am trying to give you.

Is this not a fact, that Canada repeatedly and currently places restrictions on the import of American vegetable products in accordance with the supply of Canadian-produced vegetables in their market?

Secretary BRANNAN. I am not prepared to say that is correct.

Senator BREWSTER. Well, you will find that is correct.

Secretary BRANNAN. I personally do not believe it is correct either.

Senator BREWSTER. You do not believe it is correct?

Secretary BRANNAN. If you will permit me to say so.

Senator BREWSTER. You would be surprised if you learned it was?

Secretary BRANNAN. I would be surprised. Do not misunderstand me. I know they have curtailed shipments of citrus and some other vegetables.

Senator BREWSTER. Yes.

Secretary BRANNAN. From time to time.

Senator BREWSTER. Yes.

Secretary BRANNAN. I am not prepared to say that is related to their own domestic production of those commodities.

Senator BREWSTER. What do you think the reason is?

Secretary BRANNAN. As a matter of fact, I thought one of the factors—and I am not trying to decide things for the Canadian Government—might well have been their currency situation, their dollar situation. You well know that was discussed in considerable length when we talked about them lifting those restrictions.

Senator BREWSTER. I documented that rather fully in the Congressional Record, and I will be glad to supply you with a copy of it showing how the Canadians restricted our imports until their domestic surpluses are used up. Thereafter they allowed them to come in. That was done without protest on our part. We accepted the Canadian right to do it under the existing agreement, exactly as they agreed with us on the potato situation.

Senator KERR. Do I understand the Senator to say that the Canadian Government had a surplus of domestic production of citrus fruits which led them to curtail the imports of that commodity from the United States?

Senator BREWSTER. Perhaps the word "surplus" is wrong. I said until they exhausted domestic production.

Senator KERR. Of citrus fruits?

Senator KERR. Of citrus fruits?

Senator BREWSTER. Whatever it might be. I said vegetables. He introduced the citrus. He said they put restrictions on citrus. I am not familiar with that. I am familiar with vegetables.

Secretary BRANNAN. Citrus is the main item which was under discussion, and on which they later on raised their level.

Senator KERR. I would be surprised to learn they had any production of citrus fruit.

Senator BREWSTER. I would not know that. This I do. I did not introduce citrus. I was speaking exclusively of vegetables which they did produce, some of the vegetables we have.

Senator KERR. Then the curtailment of citrus fruits was not attributable to domestic production.

Senator BREWSTER. That was probably currency.

Senator KERR. But to something other than exhausting their own surplus of production of that commodity.

Senator BREWSTER. I think that is probably correct. I did not introduce the citrus, he did.

Have you got the figures?

Secretary BRANNAN. For 1947–48 the loss was $53.9 million.

Senator BREWSTER. 1947–48?

Secretary BRANNAN. 1947–48.

Senator BREWSTER. Now have you got the others?

Secretary BRANNAN. 1948–49 was $221.9 million.

Senator BREWSTER. Yes.

Secretary BRANNAN. 1949–50 was $80.5 million.

Senator KERR. Can the Secretary supply the figures where that money was spent in the support program for the record?

Secretary BRANNAN. You mean by what States, Senator?

Senator KERR. Yes, sir.

Secretary BRANNAN. Yes, we can. We do have the figures.

(The information referred to follows:)

POTATO SUPPORT PROGRAM OPERATIONS

The following tables give data on the quantities of potatoes purchased under the price-support program, potato production, surplus and commodity cost by States, and the disposition of the surplus by types of outlet.

The quantity dumped or otherwise not utilized in useful outlets amounted to 500,000 bushels in 1947, no losses in 1948, 7,717,000 bushels in 1949, and 33,606,000 bushels for the 1950 crop through February 28, 1951. A high percentage of the losses has taken place in Maine. The principal reason for this is that the extremely heavy concentration of the surplus in Maine resulted in the quantity of potatoes handled being substantially in excess of available useful outlets. After the Department stopped subsidizing the cost of the freight in February 1950, it was not possible to find useful outlets for Maine potatoes above the available local needs for starch, livestock feed and export. Although these three outlets used about 20,000,000 bushels of the 1949 crop (30 percent of the total Maine crop) and about 6,000,000 bushels through February 28, 1951 from the 1950 crop, the required surplus purchases were substantially in excess of these quantities.

Irish potatoes

Crop-year	August support price	Total United States production	Total support purchases	Net cost of support	Imports from Canada [2]
	Per bushel	*Million bushels*	*Million bushels*	*Millions of dollars*	*Million bushels*
1943	$1.10	458.9	23.6	21.7	2.0
1944	1 12	383.4	3.6	3.3	8.6
1945	1 18	418 8	24 0	15 2	1.8
1946	1 23	484 2	108 2	91.3	4 6
1947	1 50	389 0	34 2	53.9	3 5
1948	1 65	454.7	135 1	221 9	9.5
1949	1 10	411.6	75 3	80 5	10 2
1950	1.01	439.5	[1] 60 0	[1] 37.0	[3] 3.3

[1] Through Feb. 21, 1951: Estimated total cost of 1950 program $65 to $75 million for 105,000,000 bushels.
[2] Quota year Sept 15 to Sept 14
[3] Through Feb. 17, 1951

Potatoes: United States and Maine production, purchases, and disposition, 1947–50

	1947	1948	1949	1950 [1]
United States	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*
Production	389,048	454,654	411,565	439,500
Total purchases	34,200	133,500	77,323	64,904
Disposition:				
Welfare outlets	3,800	4,600	5,290	3,865
Livestock feed	1,600	37,500	42,495	17,351
Starch and flour	8,600	43,700	12,455	9,488
Alcohol	6,400	45,000	763	0
Export, fresh and processed	12,800	1,600	7,395	478
Other	500	1,100	1,208	116
Losses [2]	500	0	7,717	33,606
Maine:				
Production	64,400	74,305	70,215	61,750
Total purchases	14,310	42,688	30,258	19,722
Useful disposition	----------	42,688	22,662	10,330
Losses [2]	----------	0	7,596	9,392

[1] 1950 crop purchases and disposition through Feb 28, 1951.
[2] Including dumping and deterioration.

Source. Records of the Fruit and Vegetable Branch, PMA

Potatoes: Production, surplus purchases, and commodity costs by States for 1948–50 crops

State	1948			1949			1950 preliminary		
	Production	Government purchase	Commodity cost	Production	Government purchase	Commodity cost	Production	Government purchase	Commodity cost
	1,000 bushels	*1,000 bushels*	*1,000 dollars*	*1,000 bushels*	*1,000 bushels*	*1,000 dollars*	*1,000 bushels*	*1,000 bushels*	*1,000 dollars*
Maine	74, 305	42, 706	66, 578	70, 215	30, 258	31, 110	61, 750	13, 208	8, 208
New York:									
Long Island	18, 910	9, 273	25, 830	12, 420	3, 825	4, 411	17, 155	0	0
Upstate	19, 125	7, 163		18, 240	5, 440	6, 685	17, 160	0	0
Pennsylvania	19, 425	2, 215	3, 677	19, 158	2, 117	2, 597	18, 525	0	0
Michigan	16, 350	2, 601	4, 084	17, 160	2, 118	2, 080	17, 460	1, 117	667
Wisconsin	13, 050	2, 053	2, 571	13, 600	618	584	15, 015	703	365
Minnesota	17, 280	4, 380	6, 077	17, 000	3, 283	3, 047	17, 640	2, 465	1, 326
North Dakota	20, 000	6, 975	9, 815	21, 645	7, 600	7, 044	22, 230	6, 788	3, 488
South Dakota	2, 750	961	1, 238	1, 260	375	394	2, 250	252	136
Nebraska	10, 335	615	728	8, 840	683	827	11, 700	0	0
Montana	2, 560	682	838	2, 325	210	203	2, 590	150	84
Idaho	45, 000	9, 490	13, 168	36, 000	3, 098	3, 221	46, 610	2, 738	1, 355
Wyoming	2, 280	385	498	1, 870	288	308	2, 152	0	0
Colorado	21, 450	7, 690	10, 672	18, 810	3, 240	3, 442	18, 600	2, 072	1, 191
Utah	3, 171	930	1, 210	3, 388	423	458	3, 335	187	101
Nevada	360	77	108	396	30	35	468	35	24
Washington	12, 600	5, 701	7, 420	10, 080	1, 150	1, 160	11, 780	1, 265	622
Oregon	12, 710	2, 905	3, 651	11, 890	1, 490	1, 591	13, 200	1, 480	845
California, late	14, 965	2, 953	7, 798	15, 750	1, 563	------	16, 875	557	371
New Hampshire	968	162	274	968	242	321	980	112	96
Vermont	1, 295	312	531	1, 128	297	386	1, 092	128	106
Massachusetts	3, 548	1, 355	2, 320	2, 850	975	1, 271	2, 816	413	379
Rhode Island	1, 462	508	863	1, 160	388	477	1, 275	173	149
Connecticut	3, 285	760	1, 262	3, 013	1, 035	1, 393	3, 481	692	642
West Virginia	2, 090	------	------	2, 090	------	------	1, 980	------	------
Ohio	6, 765	532	877	6, 270	338	381	7, 600	337	292
Indiana	4, 140	158	244	3, 900	103	130	4, 845	48	45
Illinois	1, 133	------	------	1, 000	------	------	882	0	0
Iowa	1, 430	157	208	1, 100	107	118	1, 300	17	12
New Mexico	270	------	------	246	------	------	240	0	0
New Jersey	13, 629	8, 273	12, 486	8, 554	2, 478	2, 652	12, 980	9, 112	6, 763
Delaware	288	33	49	490	3	3	628	0	0
Maryland	1, 965	300	444	1, 587	70	66	1, 664	3	2
Virginia	11, 529	4, 000	6, 403	9, 126	652	634	9, 405	1, 002	526
Kentucky	2, 542	------	------	2, 730	5	6	2, 418	0	0
Missouri	3, 128	162	256	2, 432	70	71	2, 346	23	8
Kansas	1, 476	27	41	1, 114	57	57	1, 060	17	7
Arizona	1, 749	78	86	1, 268	97	86	1, 704	395	247
North Carolina	10, 430	3, 323	5, 264	8, 127	707	704	10, 368	4, 252	2, 453
South Carolina	1, 408	200	310	1, 650	43	51	1, 768	8	4
Georgia	1, 024	7	9	1, 296	8	10	1, 248	2	1
Florida	3, 745	8	12	5, 428	295	562	5, 664	248	352
Tennessee	2, 322	------	------	2, 250	3	5	2, 200	3	2
Alabama	3, 640	130	176	3, 432	130	154	3, 955	55	26
Mississippi	1, 207	3	6	1, 120	------	------	1, 035	0	0
Arkansas	2, 366	------	(1)	2, 080	12	13	1, 863	(2)	(1)
Louisiana	1, 416	12	19	1, 239	(2)	(1)	1, 386	5	4
Oklahoma	1, 022	8	15	814	10	11	870	27	24
Texas	4, 356	482	511	3, 686	367	504	2, 752	140	69
California, early	32, 400	2, 762	------	29, 370	1, 022	2, 543	31, 200	0	0
United States	454, 654	133, 507	198, 629	411, 565	77, 323	81, 808	439, 500	[3] 50, 227	30, 992
Fiscal	------	135, 114	------	------	------	------	------	------	------

[1] Less than 500.
[2] Less than 1,000 bushels.
[3] Through Jan. 31, 1950.

THE CANADIAN AMBASSADOR TO THE SECRETARY OF STATE

CANADIAN EMBASSY
AMBASSADE DU CANADA

WASHINGTON, D. C.,
November 23rd, 1948.

No. 538

SIR,

I have the honour to refer to the discussions which have taken place between the representatives of the Government of Canada and of the Government of the United States of America regarding the problems which would confront the Government of the United States in the operation of its price support and other programmes for potatoes if the imports of Canadian potatoes, during this current crop year, were to continue to be unrestricted. After careful consideration of the various representations which have been made to the Canadian Government on this subject, the Canadian Government is prepared to:

1. Include Irish potatoes in the list of commodities for which an export permit is required under the provisions of the Export and Import Permits Act.

2. Withhold export permits for the movement of table stock potatoes to the United States proper, excluding Alaska.

3. Issue export permits for the shipment of Canadian certified seed potatoes to the United States, but only under the following circumstances:

(a) Export permits will be issued to Canadian exporters for shipments to specified States in the United States and such permits will only be granted within the structure of a specific schedule. The schedule is designed to direct the shipment of Canadian certified seed potatoes into those States where there is a legitimate demand for certified seed potatoes and only during a short period immediately prior to the normal seeding time. A draft of this schedule is now being jointly prepared by Canadian and United States officials.

(b) Export permits would only be granted to Canadian exporters who could give evidence that they had firm orders from legitimate United States users of Canadian seed potatoes. Canadian exporters would also be required to have included in any contract into which they might enter with a United States seed potato importer a clause in which the importer would give an assurance that the potatoes would not be diverted or reconsigned for table stock purposes.

(c) The Canadian Government would survey the supply of Canadian certified seed potatoes by class and consider the possibility of giving precedence to the export of Foundation and Foundation A classes of certified seed.

(d) The names and addresses of the consignees entered on the export permit would be compiled periodically and this information would be forwarded to the United States Government.

In instituting a system which has the effect of restricting exports of Canadian potatoes to the United States, the Canadian Government recognizes a responsibility to the Canadian commercial grower in certain surplus potato areas and is prepared to guarantee a minimum return on gradable potatoes for which the grower cannot find a sales outlet. Although the details of such a programme have not been finalized, it is anticipated that the Canadian Government will announce, at approximately the same time as potatoes are placed under export control, a floor price which will be effective April 1st, 1949 for certain carlot shipping areas in the East. To implement this programme the Canadian Government would inspect the potato holdings of commercial growers in Prince Edward Island, and several counties of New Brunswick, on or after April 1st and would undertake to pay a fixed price for every hundred pounds of Canada No. 1 potatoes found in the bins. It is not anticipated that any actual payment would be made at that time and it would be understood that if any of the potatoes examined were subsequently sold or used for seed purposes the owner would forfeit any claim for assistance on such potatoes. In other words, the Canadian Government would make no payment on potatoes which move into export trade, or which are used for seed purposes.

It should be noted that the Canadian proposals to institute export permit control on Canadian potatoes and to inaugurate a price support programme are contingent upon assurance from the United States Government that:

a) The United States Government will not hereafter impose any quantitative limitations or fees on Canadian potatoes of the 1948 crop exported to the United States under the system of regulating the movement of potatoes from Canada to the United States outlined herein.

b) The Canadian Government proposal, as outlined herein, to guarantee a floor price to certain commercial growers in the Maritime Provinces would not be interpreted by United States authorities as either a direct or indirect subsidy and that in consequence there would be no grounds for the imposition of countervailing duties under Section 303 of the United States Tariff Act of 1930.[1]

If the United States Government in its replying note accepts the Canadian proposals and gives to the Canadian Government the assurances required, as outlined above, this note and the reply thereto will constitute an agreement on this subject.

Accept, Sir, the renewed assurances of my highest consideration.

H H WRONG

The Honourable GEORGE C. MARSHALL,
Secretary of State of the United States,
Washington, D. C.

THE ACTING SECRETARY OF STATE TO THE CANADIAN AMBASSADOR

NOVEMBER 23, 1948

EXCELLENCY:

The Government of the United States appreciates the assurance of the Government of Canada contained in your note no. 538 of November 23, 1948, that the Government of Canada is prepared, contingent upon the receipt of certain assurances from the Government of the United States, to establish the controls outlined therein over the exportation of potatoes from Canada to the United States.

In view of the adverse effect which unrestricted imports of Canadian potatoes would have on the potato programs of the United States and the fact that it is anticipated that the Canadian proposal will substantially reduce the quantity of potatoes which would otherwise be imported into the United States, and in the interest of international trade between the United States and Canada and other considerations, the United States Government assures the Canadian Government that it will not hereafter impose any quantitative limitations or fees on Canadian potatoes of the 1948 crop imported into the United States under the system of regulating the movement of potatoes to the United States outlined in the Canadian proposal.

The Government of the United States also wishes to inform the Canadian Government with respect to that Government's proposal to guarantee a floor price to certain commercial growers in the Maritime Provinces, that in the opinion of the Treasury Department, the operation of such a proposal as outlined by the Canadian Government would not be considered as a payment or bestowal, directly or indirectly, of any bounty or grant upon the manufacture, production, or export of the potatoes concerned and no countervailing duty would, therefore, be levied, under the provisions of Section 303, Tariff Act of 1930, as a result of such operation of the proposal on potatoes imported from Canada.

The United States Government agrees that your note under reference, together with this reply, will constitute an agreement on this subject.

Accept, Excellency, the renewed assurances of my highest consideration.

ROBERT A. LOVETT
Acting Secretary of State of the United States of America

His Excellency
HUME WRONG,
Ambassador of Canada.

Senator BREWSTER. I can assure the Senator from Oklahoma that much more of it was spent in Maine than we wished as a result of Canadian imports.

Senator KERR. You did not decline any of it. You did not wish it not to be spent sufficiently to refuse to accept it.

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[1] 46 Stat. 687.

Senator BREWSTER. Unfortunately the Senator from Oklahoma is not aware that potatoes was one agricultural product on which it was proposed cutting parity from 90 to 60 percent in an amendment offered by the Senator from Maine. If the remaining agricultural products had taken that course, the whole story would have been different. We cut the potato support to 60 percent of parity, and if that man here had cooperated in the next year as he did in the year before when he got the President to stop the imports, the whole story would have been different.

Senator KERR. Did you say he cooperated?

Senator BREWSTER. If he had cooperated in excluding the Canadian potatoes the year after we cut the support, as he did the year before, the whole story would be entirely different.

Senator KERR. May I just ask the Senator to reinform me what year you said they did bring about the reduction of imports?

Senator BREWSTER. In 1948–49.

Senator KERR. Is that the year they had $203 million in losses?

Senator BREWSTER. Yes, sir.

Senator KERR. And then the year they didn't restrict them——

Senator BREWSTER. Cooperated.

Senator KERR (continuing). They had $47,000,000?

Senator BREWSTER. Seventy-five.

Senator KERR. That was earlier.

Secretary BRANNAN. You are correct, Senator; the years both before and after our losses were much less than the year in which we had the agreement with Canada.

Senator KERR. Apparently the year they did not cooperate, according to the information given me, they lost nearly twice as much as both the other years combined.

Senator MILLIKIN. Is not the moral, Mr. Chairman, for goodness' sake don't let's get the cooperation of the Department of Agriculture?

Senator BREWSTER. The fact remains that if the same policy had been instituted in 1949–50 that was in 1948–49, our losses would have been $10 to $15 million less——

Secretary BRANNAN. That may be correct, but——

Senator BREWSTER. May I make my statement, and then you can make yours.

The CHAIRMAN. I do not think we get anywhere by arguing the point out here.

Senator BREWSTER. I think, Mr. Chairman, this a matter which hits very vitally at this whole situation.

The CHAIRMAN. You might ask for the facts, but I think the argument is out of place here because you could not convince the Secretary and obviously he cannot convince you on the argument from those facts. Get the facts and let the facts go in the record.

Senator BREWSTER. It has been a long job for me to get even this much of the facts. I will defer this matter until Mr. Brannan can get himself more adequately supplied with facts. I will not burden the committee by delaying them until he is informed.

I would like to have a copy of the agreement which you had with Canada in 1948–49. I would like exact figures on your imports from Canada during the 3 years. I would like the exact figures of what you paid for those. I would like the figures of how many million bushels of potatoes you dumped in the State of Maine as a result of

importing 10 million bushels of Canadian potatoes. How many bushels you got up there? How many million bushels are coming from Canada right now so you are compelled to dump 20 million bushels of potatoes in Maine?

Those are the facts I believe the people are entitled to known, and if you get yourself adequately informed and prepared to answer these questions, I think it will be extremely helpful.

Secretary BRANNAN. Those are the facts I have given to you a half a dozen times already, and we will give them all to you again through the medium of this committee.

The CHAIRMAN. If you will supply it to the chairman, the chairman will put it in the record.

Senator BREWSTER. I would like to see the copy when he supplies it and see whether or not he adequately answers the questions I stipulated. I think that will be very illuminating then.

(The information referred to follows:)

Irish potatoes

Crop year	Average support price	Total United States production	Total support purchases	Net cost of support	Imports from Canada [1]
	Per bushel	*Million bushels*	*Million bushels*	*Million dollars*	*Million bushels*
1943	1.10	458.9	23.6	21.7	2.0
1944	1.12	383.4	3.6	3.3	8.6
1945	1.18	418.8	24.0	15.2	1.8
1946	1.23	484.2	108.2	91.3	4.6
1947	1.50	389.0	34.2	53.9	3.5
1948	1.65	454.7	135.1	221.9	9.5
1949	1.10	411.6	75.3	80.5	10.2
1950	1.01	439.5	[2] 60.0	[2] 37.0	[3] 3.3

[1] Quota year, Sept. 15 to Sept. 14.
[2] Through Feb. 21, 1951, established total cost of 1950 program 65 to 75 million dollars for 105 million bushels.
[3] Through Feb. 17, 1951.

Senator WILLIAMS. I would like to ask a question, Mr. Chairman, on another commodity if the Senator is through with the potatoes.

Senator BREWSTER. The chairman has concluded that.

The CHAIRMAN. No I have not concluded it, but I say I think the thing to do is to get the facts. It is obvious you cannot satisfy each other by arguing here from those facts. You might reach different conclusions from stated facts.

Senator WILLIAMS. Mr. Secretary——

Senator BREWSTER. I understand, do I, that the Secretary will be available here after he has supplied his statement if we should want then to ask him some more questions?

The CHAIRMAN. He said he would be available except on the 6th of March

Senator BREWSTER. All right.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. You refer in your statement to the fact that exports of Cheddar cheese exceed your imports, and I am wondering if this is an agricultural program, that is, the support of Cheddar cheese is different from potatoes; if this support program and policies in effect of the Government on cheese are with your full approval, meet with your full approval, the existing support policies. Is that correct?

Secretary BRANNAN. The existing support policy with respect to dairy products?

Senator WILLIAMS. With respect to Cheddar cheese, which we are discussing particularly, which is a dairy product—if that meets with your approval.

Secretary BRANNAN. Senator Williams, if you will refer back to the testimony at the time the price support program was under consideration, the last amendment to it, you will learn that we did not, that we had a different point of view as to how you should support dairy products, but that that question was determined by the Congress in another fashion, and we have been doing our best to carry it out.

Senator WILLIAMS. You are not in accord with the existing law?

Secretary BRANNAN. We thought there were simpler devices for getting the job done, and we have made our recommendations to the Congress from time to time as to how it could be done. We were very much disturbed by the tremendous quantities of butter that we had in stock for a time, also by the tremendous quantities of cheese that we had in stock for a time, and which only the Korean situation ameliorated.

Senator WILLIAMS. You recently liquidated a substantial portion of your inventory of cheese to Great Britain, did you not?

Secretary BRANNAN. I think it is all gone. There is only tag ends left.

Senator WILLIAMS. Do you recall for the record what you received for that cheese from Great Britain?

Secretary BRANNAN. No, sir; but I can supply that information.

Senator WILLIAMS. Fifty million pounds. For the benefit of the record here is a letter.

Secretary BRANNAN. Do you wish to put it in the record?

Senator WILLIAMS. I would like to put that in the record, Mr. Chairman.

The CHAIRMAN. Very well.

Senator WILLIAMS. And other figures which I will get later.

(The documents referred to are as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
Washington 25, D. C., December 7, 1950.

Hon. JOHN J. WILLIAMS,
United States Senate.

DEAR SENATOR WILLIAMS: This is in reply to your letter of November 27, 1950, concerning the recent sale by the Commodity Credit Corporation of Cheddar cheese to Great Britain.

There is enclosed, herewith, a copy of our press release issued on October 20, 1950, which gives information on this sales transaction. The price was not made public since it is our policy not to disclose prices on negctiated sales with foreign governments.

Sincerely yours,

RALPH S. TRIGG,
Administrator.

UNITED STATES DEPARTMENT OF AGRICULTURE ARRANGES SALE OF CHEDDAR CHEESE TO GREAT BRITAIN

WASHINGTON, October 20, 1950.—Completion of arrangements to sell 50 million pounds of Government-owned Cheddar cheese to the United Kingdom Ministry of Food was announced today by the Commodity Credit Corporation. The quantity included in this sale represents about one-half of the remaining inventory stocks and cheese acquired under price support by CCC.

Prior to this sale, disposals of Cheddar cheese have included domestic distributions of 21 million pounds, donations for export of 4 million pounds, and previous export sales of 7,300,000 pounds.

UNITED STATES DEPARTMENT OF AGRICULTURE,
PRODUCTION AND MARKETING ADMINISTRATION,
Washington 25, D. C., January 4, 1951.

Hon. JOHN J. WILLIAMS,
United States Senate.

DEAR SENATOR WILLIAMS: This is in reply to your letter of December 11, 1950, concerning the sale by the Commodity Credit Corporation of Government-owned Cheddar cheese to the United Kingdom Ministry of Food.

In our letter of December 7, 1950, we provided you with a press release issued on October 20, which gave information relating to this sale of cheese. We also stated that it was the policy of this Department not to disclose prices on negotiated sales with foreign governments.

It is believed that the foregoing policy was entirely sound at the time we forwarded our previous letter to you. As of that date, the Commodity Credit Corporation still retained substantial supplies of cheese in inventory which were available for sale both in domestic outlets and for export to foreign governments. In the event the price to the United Kingdom had been made available to the general public, it is possible that any negotiations with other foreign governments would have been seriously jeopardized.

More recently the cheese situation has changed and the Commodity Credit Corporation no longer has any uncommitted supplies remaining in its inventory. Under these circumstances, we have no objection to disclosing to you the price received for Cheddar cheese sold to the United Kingdom. The 50 million pounds of Cheddar cheese were sold at a price of 15 cents per pound resulting in the payment to the Commodity Credit Corporation of $7,500,000 by the British Government.

Sincerely yours,

RALPH S. TRIGG,
Administrator.

Cheddar cheese, not processed

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty	7 cents per pound, minimum 35 percent.	4 cents per pound, minimum 25 percent.	3½ cents per pound, but not less than 17½ percent ad valorem.	2 cents per pound, minimum 12 percent.
	1939	1949		
Ad valorem equivalents	28.8 percent	17½ percent		

Imports	1949		1950 (January-June)	
	Quantity (pounds)	Foreign value	Quantity (pounds)	Foreign value
Total	3, 166, 254	$985, 371	5, 388, 640	$1, 364, 158
New Zealand	1, 795, 131	673, 856	4, 240, 831	954, 878
Canada	1, 368, 849	310, 641	1, 139, 816	406, 930

Realized losses under CCC program:
- For fiscal year ended June 30, 1950 — $1, 031, 078
- Total, Oct. 17, 1933, to June 30, 1950 — $1, 031, 078

Inventories held by CCC, June 30, 1950:
- Quantity — pounds — 58, 902, 053
- Value — $19, 706, 623

Total 1950 imports:
- Quantity — pounds — 13, 290, 000
- Value — $3, 256, 000

(The following information was subsequently supplied by the Department of Agriculture:)

CHEDDAR CHEESE

In the postwar period this country had been a substantial exporter of Cheddar cheese and imports had been comparatively small. By October 1, 1950, the unsold supplies amounted to 102,000,000 pounds. Since the Department was still continuing to purchase supplies not currently absorbed by the market, and since there was at that time not in sight any possibility of disposing of this quantity at this or a better price, it was decided to accept a British offer for the purchase of about 50,000,000 pounds at 15 cents a pound.

The development of imports during the calendar year 1950 and the sources from which these imports were obtained are shown in this table:

United States imports of Cheddar cheese in 1950

Month	Total	Canada	New Zealand	Others	Month	Total	Canada	New Zealand	Others
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*		*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
January	229	229			August	4,609	244	4,360	5
February	4,026	238	3,787		September	1,611	395	1,216	1
March	261	261			October	337	335		1
April	535	82	453		November	908	328	559	20
May	163	163		1	December	251	(1)	(1)	(1)
June	174	166		7					
July	188	158		30	Total 1950	13,292	[2] 2,599	[1] 10,375	[1] 65

[1] As yet not separately reported
[2] Country distributions are for 11 months only.

Canada exports to this country regularly small quantities of Cheddar cheese largely of specially advertised aged type. There was no significant increase in these imports which should have justified action under the provisions of section 22.

As regards New Zealand, the other important source of Cheddar imports, it exported to us 3.8 million pounds in February and then 5.5 million pounds in August and September 1950. These imports were relatively small in relation to the United States Cheddar production of 880,000,000 pounds.

In recent months our domestic market situation has substantially improved and all Cheddar cheese stocks have been disposed of.

Senator WILLIAMS. It shows you sold this 50 million pounds for $7,500,000, or a loss of about 15 cents a pound.

But the point that I am making is that during the same period you were buying this cheese at 31 cents a pound under your support program and exporting it under the reciprocal trade agreement, under which we have lowered our tariff from 7 to 3½ cents, and you are importing it from the same country to which we sold this bargain 50 million pounds—that you imported 13 million pounds of cheese at the full price from the British Empire at a cost of 25 and 30 cents a pound at the same time you were buying this 50 million pounds at 30 cents a pound and reexporting it to Great Britain at 15 cents a pound. Do you care to comment on that?

Secretary BRANNAN. Surely. You are using the term "British Empire," without making any distinction between the countries within the Empire.

Senator WILLIAMS. That is correct.

Secretary BRANNAN. Sure, cheese moved in here from Australia and possibly from Canada. I am not exactly informed from what sources we derived it. We sold it to Great Britain for use in England. No cheese moved from Great Britain to the United States, which is

contrary to the impression that could be derived from your initial statement, Senator.

Senator WILLIAMS. You are correct. The bulk of the imports came from Canada and New Zealand.

Secretary BRANNAN. Yes.

Senator WILLIAMS. While the shipment itself went to Great Britain.

Secretary BRANNAN. None of it was transshipped to Great Britain.

Senator WILLIAMS. No.

Secretary BRANNAN. None of that cheese which came from New Zealand and Canada was transshipped to Great Britain.

Senator WILLIAMS. I did not say it was. I said your 50 million pounds of cheese was sold to Great Britain and that your imports came mostly from Canada and New Zealand. Whether transshipped or not, I am not in a position to say. I do not know. Maybe you do know.

Secretary BRANNAN. I am saying it was not, and any implication that it was I want to correct.

Senator WILLIAMS. I did not intend to make any implication that it was because I have no way of knowing whether it was or not. But the point is that this 13 million pounds came into this country and increased by 13 million pounds the amount of cheese you had to buy. Is that not correct? It was the same type of cheese. In order to maintain your support program you had to purchase about 75 million pounds of cheese during the calendar year.

Secretary BRANNAN. That is right.

Senator WILLIAMS. This importing of 13 million pounds of cheese increased your purchases by that amount; is that not correct?

Secretary BRANNAN. It had that general effect; yes, sir.

Senator WILLIAMS. And the fact that you reexported this cheese, whether it went to the same countries or not is beside the point—but you reexported this cheese at 15 cents a pound, which means that a substantial part of that loss as far as the 13 million pounds are concerned could be attributed to supporting the price of cheese in Canada and New Zealand markets; is that not correct?

Secretary BRANNAN. There was export, not reexport. That is why I keep trying to correct you on the implication this came in and was reexported. It was not reexported.

Senator WILLIAMS. But a portion of the cost of the 13 million pounds of cheese coming in here and the loss that was sustained by the Department of Agriculture on an equivalent number, 13 million pounds, was charged to the American farmers and in effect should have been charged to supporting the price of cheese in these foreign countries.

Secretary BRANNAN. Let me point out to you——

Senator WILLIAMS. Is there not correct?

Secretary BRANNAN. That cannot be answered categorically. Let me point out to you that the cheese which moved to Great Britain was out of stocks of the Commodity Credit Corporation which it had taken under the price-support program.

Senator WILLIAMS. In other words, to maintain the price at a certain level.

Secretary BRANNAN. And under the statute it was obligated, the only place it could dispose of those commodities was in the foreign

market, if they would not move in the domestic market at the cost to the Commodity Credit Corporation plus 5 percent.

Senator WILLIAMS. But the point is that your purchases of cheese during the past calendar year were increased in direct proportion to the imports, the 13 million pounds of cheese that came in; is that not correct?

Secretary BRANNAN. Senator, I said a moment ago that that is a fair deduction but not completely correct because, remember that cheese was brought in by individuals. We did not buy it from those countries. It was brought in by individuals, reprocessed and sold in other forms.

Senator WILLIAMS. Had it not been imported at all, your purchases would have been diminished by that amount, which is a fair assumption?

Secretary BRANNON. No, that is not true.

Senator WILLIAMS. Why not?

Secretary BRANNAN. Because the only reason our domestic importers bought cheese in the other parts of the world when they could have come to the Commodity Credit Corporation and got the same cheese, or, say, equivalent quality cheese, was that they could buy it in those other parts of the world cheaper; and, therefore, they went and bought it in those other parts of the world cheaper.

Senator WILLIAMS. And it went up to the American consumers and therefore reduced the amount of American cheese the American consumers used, and you picked up the amount they would have used and put it in your inventory. That is all there is to it.

Secretary BRANNAN. That may follow and it may not, because they may not have gone and purchased that cheese, and we——

Senator WILLIAMS. You are operating on the theory had they not imported it, the American people would not have eaten the cheese?

Secretary BRANNAN. That is possibly true because they sold it to them at a cheaper price in the market place.

Senator WILLIAMS. No, they did not. The record shows this cheese came into this country within a fraction of a cent on the average of what your domestic market was—a very small differential.

Secretary BRANNAN. A considerable differential, if I remember correctly.

Senator WILLIAMS. No. The prices are here. It was a little lower on imports but not enough lower to make a noticeable effect on the market.

Secretary BRANNAN. It was processed, too, after it got here.

Senator WILLIAMS. It was classified as cheddar cheese, and the Department of Commerce said it was the same type of cheese which we exported.

Secretary BRANNAN. That is cheddar.

Senator WILLIAMS. The same type. Eliminate from the 13 million pounds the other cheese which went in another classification. But the point is under the Reciprocal Trade Agreement we dropped the tariff 3½ cents, we cut it 50 percent, to enable this cheese to come into this country, and we gave them a 3½ cent advantage so they could bring it in, which has the effect of using our agricultural program to support world commodities.

Secretary BRANNAN. See what you are saying, Senator, is that all of the fault lies in the export program and not in our methods of support.

Senator WILLIAMS. No, I am not pointing out that at all.

Secretary BRANNAN. I am glad to hear you say there could be some difficulty about our methods of support.

Senator WILLIAMS. This concession on cheese which was made from 7 cents down to 3½ cents, had it not been made, it would have cost 3½ cents more to bring that cheese into this country, and therefore the differential in the price at which it came in was only about 1 cent. The assumption is the cheese would not have come in and you would have the cost of our own program reduced in proportion because you would not have had to purchase 13 million pounds. I do not go along with your idea that if it had not been imported the people would not have eaten cheese. If you use that idea, had not Canadian potatoes been imported, the people would not have eaten potatoes.

Secretary BRANNAN. Senator, I do not accept your premise that the cheese moved into this country at only a fraction of a cent less than it could be bought of the Commodity Credit Corporation stocks. Let's both get busy and document that, too.

Senator WILLIAMS. The Department of Commerce furnished figures on that. I think they are in that letter.

Secretary BRANNAN. There were not any figures in that letter I could catch.

Senator WILLIAMS. I think you will find it in the last paragraph.

Senator MILLIKIN. Have you finished?

Senator WILLIAMS. Yes.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Let us now consider section 8. I believe it would be a good idea for the purpose of the record that I read it. It is not overly lengthy (reading):

> SEC. 8. Section 350 of the Tariff Act of 1930, as amended, is hereby amended by adding at the end thereof the following new subsection:
>
> "(e) No reduced tariff or other concession resulting from a trade agreement entered into under this section shall apply with respect to any agricultural commodity for which price support is available to producers in the United States unless the sales prices (as determined from time to time by the Secretary of Agriculture) for the imported agricultural commodity within the United States after the application of such reduced tariff or other concession exceed the level of such price support."

You object to the automatic nature of that?

Secretary BRANNAN. I do, Senator.

Senator MILLIKIN. Have you anything to add in addition to what you have said as to why we should not have a provision of this kind which does have the automatic nature that this provision has?

Secretary BRANNAN. No, Senator; I think I have stated the three grounds upon which we object to it.

Senator MILLIKIN. Well, then, let me ask you: Why should we not keep unto ourselves, why should you not have the automatic power to exclude agricultural commodities for which price support is available to producers in the United States when the sales prices for that commodity within the United States after the application

of such reduced tariff or other concession exceed the level of such price support?

What is wrong with that, Mr. Secretary?

Secretary BRANNAN. Well, we have made three points, Senator. First of all, if that is written into the General Tariff and Trade Agreement subsequent to the enactment of this section, then the other countries of the world will have a right to do the same thing. Many of the other countries are higher-cost producers than we are. Therefore, if this provision should become a part of GATT, many foreign countries would probably use it a lot earlier and more promptly than we and thereby would cut off our exports. We are, however, deeply concerned with maintaining the highest possible level of exports.

The second point I made is that this is an open invitation to a speculator to attempt to anticipate increases in our tariffs, get his stocks and goods into the country in advance of the time when the automatic provision would go into force and effect, and the duty would go up on imports, and he would have the windfall of the whole balance of it.

Senator MILLIKIN. That is if he guesses right.

Secretary BRANNAN. If he guesses right.

Senator MILLIKIN. If he guesses right.

Secretary BRANNAN. I said it was an inducement to speculation.

Senator MILLIKIN. What was your third point?

Secretary BRANNAN. The third point is, Senator, that the present provisions in section 22—if I may respectfully say so again—and in the other provisions of law which deal with the subject give adequate protection, and that therefore there is no great need for this kind of a provision under any of the facts and circumstances that are now prevailing.

Senator MILLIKIN. You have nothing to add to what you have said on the figures which I suggest are correct as to the amount of relief that has come under section 22?

Secretary BRANNAN. No; Senator, except we were going to try to supply the accurate data as quickly as we can.

Senator MILLIKIN. How many products at the present time are under support price?

Secretary BRANNAN. The table lists 13 items. Counted by programs the number is 22. White potatoes will drop off. White potatoes are only half under it, so to speak.

Senator MILLIKIN. About 13?

Secretary BRANNAN. Yes.

Senator MILLIKIN. How many agricultural commodities are under published parity prices?

Secretary BRANNAN We compute a parity price for every agricultural commodity, Senator.

Senator MILLIKIN. The Department periodically publishes parity prices for a large number of agricultural commodities?

Secretary BRANNAN. All of them, Senator.

Senator MILLIKIN. For every single one?

Secretary BRANNAN. Yes.

Senator MILLIKIN. How many are there?

Secretary BRANNAN. I think we sent the other day, to Mr. DiSalle's office, figures on over 300 commodities.

Senator MILLIKIN. And do you not maintain rather active publication of parity prices on something over 150?

Secretary BRANNAN. We do, Senator, by commodities. For some commodities, such as cotton and corn and wheat and tobacco, we compute parity every month. For other commodities we compute parity only once a season.

Senator MILLIKIN. If this committee and this Congress should conclude that it does have a tendency to break down our support-price program by allowing imports to come in here under the circumstances mentioned in this amendment, what would be your objection to that? You do not challenge our authority to do it?

Secretary BRANNAN. Not at all, Senator.

Senator MILLIKIN. If we look over the history of the support-price program and determine when excessive imports have occurred in connection with these items that are supported there has been a damage to the integrity of the support-price program, if we should determine that, we would be warranted in this kind of amendment, would we not?

Secretary BRANNAN. Senator, certainly I do not question your authority to do it, but I most respectfully say to you that I hope you would not allow this question to go off solely and exclusively on the point as to its bearing on the price-support program alone. Because I am sure there are many more, much more important factors. We were talking a moment ago, Senator, about the imports of potatoes from Canada, and least of all people, I have any stomach for the operations in potatoes these last 2 or 3 years, and I have made that plain many times. But with respect to Canada, they are one of our big users of citrus fruits, of vegetables, and of many, many other agricultural commodities that their very cold climate will not let them produce. I do think that before we just categorically slap off one of their commodities we weigh the other implications in terms of other agricultural commodities, not to mention domestic commodities.

As I indicated to you, the very days that potatoes were moving down the east coast on ships to Philadelphia and clear around to New Orleans, almost at the same time potatoes were going north out of the United States into Canada. In other words, it is not such a problem that can be disposed of, in my opinion, sir, on the one question as to whether or not it has an adverse effect on our price-support operation.

Senator MILLIKIN. Earlier in my examination I asked you whether you were, in effect, trading off one product for the benefit of another. Does not the answer which you have just given come to that—that you are not invoking this paragraph against a given commodity because it might injure some export deal that has been made on another agricultural commodity?

Secretary BRANNAN. Senator, I think that is a proper conclusion. As a matter of fact, I think the whole tenor of the thing I have stated today is just this: Let's not fix our own import regulations so that we destroy our export markets. Because everything I said in the statement pointed to the fact that our exports are so much greather than our imports that we just should not risk our exports and our potential export opportunities by an unworkable—and I respectfully say section 8 is unworkable—by an unworkable provision regarding our imports. That is the purport of what I am trying to say.

Senator MILLIKIN. Do you not consider that you are in great difficulties when you say here that you should be at liberty under your discretion under all the circumstances that come to your attention not to stop excessive imports because in your field—not in the industrial field but supplies elsewhere in your field—you want to protect some other crops as far as its export privileges are concerned? Are you not in great difficulty there? Do you think that your own people—I mean the people that you serve, the agricultural people of this country—will like the admission that you made on this?

Secretary BRANNAN. Senator, let's think of the wheat grower in your and my part of the country.

Senator MILLIKIN. Yes.

Secretary BRANNAN. Let's think of the cotton grower in the southern part of the country. Let's think of the tobacco grower and one or two other commodities. I do not think that those people would like to see us so handle our import regulations in this country as to set in motion reciprocity actions against those commodities. Those are the commodities which are going to get hit first and hardest.

Senator MILLIKIN. May I remind you, Mr. Secretary, I think we have developed pretty well here that these commodities that you speak of have export ease because we give the exchange to the foreign country which takes them in.

Secretary BRANNAN. Senator, I readily admitted that, but I do point to the fact that we are trying to shoot at a long-range objective.

Senator Kerr. Is Canada among the nations that we give money to, Senator?

Secretary BRANNAN. No, sir.

Senator MILLIKIN. I do not believe so, except that when we permit, or if we permitted an excessive amount of imports from Canada, we are giving the American citizens' money to Canada, which might have the effect of injuring our own domestic programs. But in the larger aspects which I am talking about, will any nation of the world set up a refusal—this is a good one—would any nation in this world set up a refusal to take our gifts of agricultural products?

Secretary BRANNAN. Well, Senator, one of our big consumers of wheat has taken itself off the Marshall plan now.

Senator MILLIKIN. One of our big consumers of wheat has engaged in very strange bilateral agreements, buying their wheat from the Ukraine, for example, buying their wheat from the Argentine, for example, dealing with "iron" countries on this subject, while we are making gifts which expedite the export of many of our own products. How can we get away from those hard facts, Mr. Secretary?

Secretary BRANNAN. Senator, they are in the high policy area to which you made reference and a long ways removed from section 8 and from the problem of maintaining the workability of the general agreement on tariffs and trade.

Senator MILLIKIN. All right now, let's take the workability.

Secretary BRANNAN. If I may respectfully say so, you are pointing to whether or not we should have a general agreement on tariffs and trades rather than the workability of section 8 as proposed.

Senator MILLIKIN. My point goes precisely to the workability. I say you are in no danger of workability as long as a considerable part, perhaps the major part, of your foreign trade rests on a give-away basis. The correlative of that, I suggest to you, is that your

long-term theory comes under serious impairment when you consider all these bilateral agreements we have been talking about—hundreds of them—that restrict the area which our exporters, agricultural exporters, can get into on a true competitive basis. So short-term or long-term, I do not see any hope out of your objections.

Secretary BRANNAN. Well, Senator, do you see any hope in the arrangement as proposed? It would destroy the general trades agreement on tariffs and trade. In essence it would.

Senator MILLIKIN. Are you speaking of GATT now?

Secretary BRANNAN. Of GATT, yes.

Senator MILLIKIN. All right. Now I remind you again, Mr. Secretary, that the Congress, having exclusive jurisdiction over the subject of trade, has not authorized GATT; that GATT was never intended for anything more than a provisional agreement, purely provisional, to cover the period prior to our entrance in ITO. It says so in terms.

Secretary BRANNAN. Yes.

Senator MILLIKIN. Now you are arguing from the agreement that has never had the approval of Congress. If I wanted to open up the scope of this examination, I believe I would have very little difficulty, and I intend to open it on other occasions and demonstrate that this country's entrance into GATT as it is now written would be a completely suicidal thing.

Let me read to you article XXVIII of GATT. [Reading:]

> 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—

with which such treatment was initially negotiated—

> and subject to consultation with other contracting parties as the contracting parties determine—

contracting parties determine—

> to have a substantial interest in such treatment.

May I at this point ask you if you know the voting arrangement whereby these things are determined? May I refresh your memory that the United States has one vote out of all the nations that make these determinations. Does the Secretary know that?

Secretary BRANNAN. Yes.

Senator MILLIKIN. Is that an agreeable situation to the Secretary? Is he willing to have his agricultural program subject to the decisions of an international organization where we only have one vote? Is the Secretary agreeable to that?

Secretary BRANNAN. Senator, that type of situation prevails in the United Nations and in many of our other international arrangements.

Senator MILLIKIN. Mr. Secretary, there is a tremendous difference. For example, in the Security Council we have the right of veto. We have not used it but we have that right. The United Nations proceeds on an entirely different basis.

The monetary fund, which you might mention, gives us a much larger voting strength.

I am not sure that any of those afford a valid precedent for consideration of this matter. Here you are stating in effect, if I understand you correctly—and if I do not, I certainly would like to have you clarify—that you are willing to have your domestic agricultural program and its international aspects subjected to a vote of an inter-

national organization. Torquay has how many members, Mr. Brown?

Mr. BROWN. Thirty-nine, sir.

Senator MILLIKIN. Thirty-nine members, in which we only have 1 vote. Is that an agreeable situation to you?

Secretary BRANNAN. With all the rest of the provisions, Senator, that are in the agreements, it could be a very equitable arrangement.

Senator MILLIKIN. Mr. Secretary, we have the right to escape. We could get out of this GATT, assuming it is valid, which I say it is not. Assuming that it is valid, we have the right to escape. But having promoted, having held conference after conference to bring GATT into being, would you not be among the first to rush in here and say, "My goodness! We cannot escape or we will break the heart of the world." Am I correct or incorrect?

Secretary BRANNAN. Senator, that leads us off into a lot of other things.

Senator MILLIKIN. I am speculating on what you would do. I am not speculating about the arguments to Congress. We would be told: "This is a cataclysmic thing. We dare not escape. We have asked these people to come in under this. They have changed the rules of their own conduct to comply, and now we, the promoters of it, are taking a run-out powder.

Oh, that would be the argument—withdrawal means nothing, in other words, as a practical measure.

Well, let's go ahead with this. [Reading:]

> With such other contracting parties as the contracting parties determine to have a substantial interest in such treatment.

In other words, these nations will determine whether we have a substantial interest. We will have one vote. [Reading:]

> or cease to apply the treatment which it has agreed to, accorded under article II of any product described in the appropriate schedule annexed to this agreement. In such a negotiation, an agreement which may include provisions for compensatory adjustment with respect to other products—

that you were referring to awhile ago—

> the contracting parties concerned shall endeavor to maintain a general level of reciprocal and mutually advantageous concessions not less favorable to trade than that provided for in the agreement.

I suggest those last words are merely expressions of hope. They would have no compulsory effect. Everything is up to the interpretation of the individual party. [Reading:]

> 2. (a) If agreement between the contracting parties primarily concerned cannot be reached, the contracting parties who propose to modify or cease to apply such treatment shall nevertheless be free to do so.

We have the right to do so and the other fellow has the right to do so. [Reading:]

> 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—

contracting parties of which we have one vote—

> shall then be free not later than 6 months after such action is taken to withdraw upon the expiration of 30 days from the day on which written notice of such withdrawal is received by the contracting parties of substantially equivalent concessions initially negotiated with the contracting party taking such action.

Under your procedure under section 22, or under any other procedure, Mr. Secretary, it is to be assumed that the opposite party having an interest in that particular commodity will do whatever is necessary to protect himself. There is no escape from that either under section 22 or under this section 8 here, or under any other scheme, I suggest, that could be devised. [Reading:]

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 parties shall be free not later than 6 months after action under such agreement is taken to withdraw upon the expiration of 30 days from the day upon which written notice of such withdrawal is received by the contracting parties substantially equivalent concessions initially negotiated with the contracting party taking action under such agreement.

So everyone has the same privileges. It is to be assumed that any concession that we give ourselves will be counterbalanced and is to be assumed that any concession we have given to the other fellow will be counterbalanced when he decides not to pay any attention to it, and that is happening.

Now what is there in this section 8 that impinges on that provision any more than your section 22 does?

Secretary BRANNAN. Well, Senator, the automatic feature, if nothing else. The automatic feature says that if the duty-paid import price of the product equals the support price or less, then automatical y the duty goes back to whatever the former duty was.

Senator MILLIKIN. Yes.

Secretary BRANNAN. It might be in the course of a year that the price of a commodity wou d so fluctuate as to pass that automatic point three or four times, and the trigger would snap off and snap on again. I just think there would be complete unworkability, complete lack of ability to tell what was coming down the road by the persons engaged.

Senator MILLIKIN. Is this not correct? Taking this language just as it is, your Department will proceed at once to make regulations to iron out that second-by-second and minute-by-minute fluctuation?

Secretary BRANNAN. Senator, we cannot because that will depend p imarily on the supplies in the market place, the demand for the commodity, and all of the other normal economic factors. We just cannot do anything about it.

Senator MILLIKIN. Under your own discretion to vary your support prices. There is nothing new in setting out regulations that will smooth out, that will provide a sensible way, let us call it, of administering the provisions of a statute. I mean if you think that we are going to be subjected to changes every 10 seconds or at too rapid periods, this regulatory authority permits you to smooth that out so as to give ample notice to everybody.

Secretary BRANNAN. No, Senator, we cannot change—theoretically and lawfully we can—but we have never changed, that I know of the support price announced for a commodity. After it has once been announced, it runs through the balance of that season.

Senator MILLIKIN. Yes.

Secretary BRANNAN. That year or period of time. We have changed it once or twice by moving it up to induce production in emergency periods.

Senator MILLIKIN. Do you challenge my basic point? Taking this language as it is, there is nothing to prevent the executive department imposing sensible regulations that are not inconsistent with these provisions for smoothing out administrative difficulties of the type you mention.

Secretary BRANNAN. Senator, I only point out that the administrative branch and even the Congress does not have control over the factors which would bring about the variations. They are purchasing power, they are supplies, they are markets at a given time, and the availability of a commodity in the market at a particular time.

Senator MILLIKIN. But those things perplex your administration under the law as it is.

Secretary BRANNAN. Yes.

Senator MILLIKIN. All of those factors.

Secretary BRANNAN. But we ride out the peaks and go over the valleys without changing the whole import situation.

Senator MILLIKIN. Then what you are objecting to is that you do not want this to be automatic? You think that a field of discretion left to you would be better. Is not that the guts of it?

Secretary BRANNAN. Well, Senator, I certainly do object to the automatic provisions and think that there should be discretion in the existing agencies which have responsibility in the matter.

Senator MILLIKIN. So that the basic problem for the Congress to consider is whether it would be better to have this automatic in this limited field of support price products or to leave discretion where it now is. That is the basic point?

Secretary BRANNAN. That is right, Senator.

Senator MILLIKIN. And to that point all those interested will submit varying sets of facts.

Is that your principal objection?

Secretary BRANNAN. The three implications that flow from it.

Senator MILLIKIN. At the present time in connection with your support price program and its relations to section 22, you do not negotiate in advance with foreign countries as to whether you may recommend import restrictions?

Secretary BRANNAN. Recommend consideration under section 22? No.

Senator MILLIKIN. Nor does the Tariff Commission?

Secretary BRANNAN. That is right.

Senator MILLIKIN. Nor does the President. Section 22 operates independently of GATT, does it not?

Secretary BRANNAN. That is right. And of course that goes to the point that you talked about earlier, that section 22 may be qualified by the international agreements.

Senator MILLIKIN. Under the act of June 28, 1950, appears the following, Mr. Secretary, and what I am reading from is subparagraph (f), which is a part of section 22.

Secretary BRANNAN. Yes, sir; I have it in front of me, sir.

Senator MILLIKIN (reading):

> No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party; but no international agreement or amendment to an existing international agreement shall hereafter be entered into which does not permit the

enforcement of this section with respect to the articles and countries to which such agreement or amendment is applicable to the full extent that the general agreement on tariffs and trade, as heretofore entered into by the United States, permit such enforcement with respect to the articles and countries to which such general agreement is applicable. Prescription of a lower rate of duty for any article than that prescribed by the general agreement on tariffs, and trade shall not, if subject to the escape provisions of such general agreement, be deemed a violation of this subsection.

Do you consider that that imposes any restrictions of any kind upon you?

Secretary BRANNAN. Well, Senator, it is a very elaborate statement of the rule.

Senator MILLIKIN. The Congress having passed this and made it into law, out of the same authority it could take a good look at this and repeal it or amend it, could it not?

Secretary BRANNAN. It could, sir.

Senator MILLIKIN. And now, for example, I invite your attention to the fact that—

No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party.

Now, hereafter, assuming that this does not become law prior to the conclusion of the agreements at Torquay, there are going to be very, very few additional trade agreements; is that not correct? By the time we have finished at Torquay, we will have covered the whole water front. So that the future part of this thing, assuming that Torquay is completed before we make a law out of whatever we do here, is a rather thin reed to lean on. Is that not correct?

It goes on to say—

but no international agreement or amendment to an existing international agreement shall hereafter be entered into—

you see we are in a close race here with what is going on at Torquay—

shall hereafter be entered into which does not permit the enforcement of this section with respect to the articles and countries to which such agreement or amendment is applicable to the full extent that the General Agreement on Tariffs and Trades, as heretofore entered into by the United States, permits such enforcement with respect to the articles and countries to which such general agreement is applicable.

I suggest that as a former attorney, who I believe has not lost his skills, you will at once see that the whole effect of this, as you are now operating on, probably means nothing whatsoever, or at least could be interpreted that way.

Senator KERR (presiding). If I may interrupt, Senator, do you want him to come back at 2:30?

Senator MILLIKIN. I want to emphasize just one more point and then there will be no necessity as far as I am concerned of bringing him back at 2:30.

Would it "discombuberate" you greatly, Mr. Secretary, if you dropped back for a little while at 2:30?

Secretary BRANNAN. No, sir.

Senator KERR. Then the committee will stand in recess until 2:30.

Whereupon, at 12:35 p. m., the committee recessed, to reconvene at 2:30 p. m. of the same day.)

AFTERNOON SESSION

The CHAIRMAN. All right, Mr. Secretary, you may proceed.

Secretary BRANNAN. During the session in the morning Senator Brewster asked for some figures with regard to potatoes.

I am not prepared to state that this is all of the information Senator Brewster sought, but this is the statistical information I am able to furnish.

The CHAIRMAN. Senator Brewster may or may not be able to attend the further hearings of the committee this afternoon.

Senator Millikin, do you have something you want to say?

Senator MILLIKIN. Yes; I wanted to suggest that when you see the transcript, Mr. Secretary, if there are any other facts you want to add, I suggest you supply those, after you see the transcript and see what it was he said he wanted.

Secretary BRANNAN. They were such facts, as I remember it, as to how many bushels were destroyed in Maine as a result of the import of Canadian potatoes into Maine, and I do not think there is any such figure.

Senator MILLIKIN. Then let me suggest this, to the extent he has asked for facts that you cannot supply, I believe a letter to the chairman making that clear would put you in a better position than if you did not answer it.

Secretary BRANNAN. All right, but, as I indicated to you, Senator Millikin, before the noon adjournment, we were going to be able to produce the statistical facts for this afternoon's session, if Senator Brewster wished to have them here.

The CHAIRMAN. (The data requested has been place in the record at pp. 99–103, 105.)

The CHAIRMAN. All right, you may proceed.

Senator MILLIKIN. Mr. Secretary, how many agricultural products are being supported at the present time?

Secretary BRANNAN. Thirteen, sir. And within——

Senator MILLIKIN. Did you wish to elaborate on your answer?

Secretary BRANNAN. Please. Within the 13 there are some by-products, for example, of dairy products. We support butter, cheese, and dried skim milk within that bracket also.

Senator MILLIKIN. How much remaining discretion have you to add other products to the support-price system?

Secretary BRANNAN. Senator, it is my interpretation that theoretically we could support any agricultural commodity.

Senator MILLIKIN. Well, sir——

Secretary BRANNAN. If you will excuse me, sir, may I say there is a list of criteria as to what levels and under what circumstances you support any of these, except the mandatory commodities, but in theory, we could support any one of them.

Senator MILLIKIN. Roughly, all of the remaining agricultural commodities not under the support program could be brought under it, under your present discretion, if what you perceive to be the criteria are met?

Secretary BRANNAN. Yes, sir; and if the funds are available.

Senator MILLIKIN. And if the funds are available.

Now, under section 22, what safeguarding do these products have which are not under support?

Secretary BRANNAN. I think of none.

Mr. ZAGLITS. With marketing agreements we could restrict imports.

Secretary BRANNAN. We have marketing agreements without price-support programs.

Mr. ZAGLITS. Such as lemons, nuts, and so forth, which are not under price support.

Secretary BRANNAN. Well, Senator, may I just answer the question this way.

Senator MILLIKIN. Yes.

Secretary BRANNAN. Generally speaking, unless the commodity is under support, or there is in operation a program generally designed to help stabilize price domestically, such as the purchase for a school-lunch program, or a marketing agreement within the industry producing it, or some such special operation, there would be no opportunity for the operation of section 22.

Senator MILLIKIN. And as to how many products, roughly, would that apply? That is, how many agricultural products, roughly, would not be under and could not be under your support-price program under section 22?

Secretary BRANNAN. Well, Senator, of the bulk of the three-hundred-plus commodities, I would say that maybe 80 percent of them might reasonably be expected not to come within the area of some sort of assisting program or supporting program, which would authorize the application of section 22.

Senator MILLIKIN. In other words, that is a practical limitation on the remaining part of your own discretion?

Secretary BRANNAN. Yes. And may I also add that the relative contribution of the commodities to farm income, of course, is very great.

One of the commodities, beef animals, beef and beef products, for example, contributes 17 percent of all farm income; dairy products maybe about 14.7 percent of all farm income, and may I say that there are about 10 commodities which contribute about 75 percent of all farm income?

In other words, of the three-hundred-plus, the balance are very, very small contributors to farm income.

Senator MILLIKIN. But they occupy an important place in our agricultural economy, they all contribute something that is needed in the economy, do they not?

Secretary BRANNAN. Senator, they do that, and certainly they are important to the man who produced them there is not any question about that.

Senator MILLIKIN. Yes; that is something that I wanted to bring out.

Secretary BRANNAN. But looking at the problem from the over-all agricultural point of view, there is just a small range of products, 15 or 25, which would contribute most to farm income.

Senator MILLIKIN. Yes. Now, I think you have answered the pertinent question. The over-all statistics give scant comfort to a fellow who is equipped to produce something that is not under your support-price program, and he might find himself under very bad competition from foreign supply?

Secretary Brannan. That is correct, sir.

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Senator MILLIKIN. Now, I think you touched somewhat on this larger question of coordinating your own policies with those of other departments of the Government. Represented on a committee of which you are a member are military establishments, and Labor is on there, isn't it?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. Labor is on there, and Commerce?

Secretary BRANNAN. Commerce is there. And the State Department.

Senator MILLIKIN. Yes; the State Department is on there.

Secretary BRANNAN. And the Tariff Commission and the Treasury.

Senator MILLIKIN. And the Tariff Commission and the Treasury is on there.

Well, the Tariff Commission is there in a sense. The Tariff Commission nominates a representative who acts for himself. It has been amply developed at previous hearings that he does not carry through for the Commission, but I presume he makes an effort to keep in step with the Commission, but it has been amply developed that he is really a man who is appointed from the Tariff Commission but does not carry into the deliberations necessarily the policies of the Tariff Commission.

Now, when you take into consideration all of these over-all factors, how much do you weigh, or do you weigh at all, the opinions of these other departments in reaching your own decisions, so far as your own field is concerned?

Secretary BRANNAN. Well, Senator, of course——

Senator MILLIKIN. If I may interrupt you, this may clarify my question, this morning I suggested that your business, so far as section 22 is concerned, is to comply with section 22, that you are not charged with the duty of trying to determine the whole across-the-board policy?

Secretary BRANNAN. That is right, sir. Of course, we try to be as objective as we can possibly be, taking into consideration all of the facts and the information and advice and suggestions of those who are sitting with us in the deliberations.

I confess, nevertheless, that our point of view is strongly weighted in favor of the producer. It has always been my conception that that was the primary concern of the Department of Agriculture, and we do allow that to weigh in our opinion quite definitely.

Senator MILLIKIN. There is nothing in section 22 which tells you to go beyond the interests of the agricultural producer, is there?

Secretary BRANNAN. I think the general implication of section 22 is the public interest, but our approach to it would be from the standpoint of the producer.

Senator MILLIKIN. Exclusively from that standpoint?

Secretary BRANNAN. No; taking into consideration all of the facts that are available.

Senator MILLIKIN. Will you let me have that statement, please.

At a hearing a couple of years ago Mr. Thorpe of the State Department issued—and I should say in fairness to the Secretary of State, that he the other day repudiated what I described as some of the flamboyant parts of this, I should say that to you—but Mr. Thorpe said on the bill then before the House Ways and Means Committee:

Whereas, 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, the purchasing power for American exports to guide the economy as a whole into the most productive lines possible.

Do you feel that your duties as Secretary of Agriculture, in your operation of section 22, carry you off into those broad policy questions?

Secretary BRANNAN. Senator, I believe that our operations and our approach would conform with that statement. It might not go as far as that statement indicated when read in its whole context, but again as you have developed in the previous testimony, we do weigh the situation with respect to one commodity in the light of the benefit to, or detriment to all the agricultural commodities for which we have responsibility to the producers thereof.

Senator MILLIKIN. How about relating the whole field of agricultural commodities to the rest of the whole economy—industry, for example?

Secretary BRANNAN. As to industrial commodities, we have always striven to see that the available purchasing power was utilized as much as possible in the American agricultural products. We know that most of the countries of the world do not have an excessive diet, and most of them do not have any more than an adequate diet, so in pressing on them the purchase of agricultural commodities, we feel as though we can even talk in terms of their welfare, because it is raising their standard of living with the funds they have available for general purchases of their country.

Senator MILLIKIN. You would consider as one of the factors to be taken into consideration by you under section 22 as to whether a concession as to an industrial product, or rather, agricultural products would help the exports of an industrial product?

Secretary BRANNAN. Senator, that is one of the things which I think would come into our deliberations, but again I point out to you that that particular matter would be of concern more to other folks than it would be to us, because we are concerned with agricultural producers.

Senator MILLIKIN. Well, all of your answers on this praticular field of inquiry do not preclude the fact that as Secretary of Agriculture in connection with the administration of section 22 you do give a certain amount of consideration to the whole economic picture, is that correct?

Secretary BRANNAN. Senator, I think that is correct, because farmers, after all, are a part of the whole economy. They cannot be examined, they cannot be prosperous or they cannot fail all by themselves without affecting the other parts of the economy, but they are more dependent, it seems to me in the aggregate, on their export opportunities than perhaps any other phase of our economy.

Now, I should not speak with so much authority about the other phases of economy, but they are greatly dependent upon their export opportunities.

Senator MILLIKIN. But there is nothing in section 22 which, at least by express language, requires you to depart from the agricultural field, isn't that correct? I thought you said a while ago there are some implications there, and I would like to have you point out the words that produce those implications.

Secretary BRANNAN. Well, Senator, the implications are inherent, so to speak, in the character of the legislation, and its intentions to develop and maintain an active foreign trade for the benefit of all the economy, but of agriculture in particular.

Senator MILLIKIN. Now, import controls on fats, oils and other products expire June 30 of this year, 1951?

Secretary BRANNAN. That is right.

Senator MILLIKIN. May I inquire whether you intend to extend those particular import controls at that time?

Secretary BRANNAN. That is a matter for the consideration of the Congress, and when and as the Congress seeks our opinion on it we will try to come up and formulate it.

To tell you very frankly, Senator, we have not formulated a firm opinion on that at this moment.

Senator MILLIKIN. You do not feel you have authority under existing legislation to extend those import controls?

Secretary BRANNAN. Well, if the law is allowed to expire, then we will not.

Senator MILLIKIN. But haven't you set your own date, your own effective date for these particular import controls?

Secretary BRANNAN. I am sorry, but I do not quite understand you, Senator.

Senator MILLIKIN. Well, let us look at it two ways: Congress could say that the operation of section 22 as to this, that and this product shall expire on some future date, that is one way of doing it?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. And another way, section 22 might be broad enough to permit you to put your own expiration date on it in order to meet the criteria of the section. Is this expiration date provided by the Congress, or is it provided by your own rules?

Secretary BRANNAN. Well, Senator, the thought that under this legislation I could fix a date which was beyond the period prescribed for the expiration of the power had not occurred to me before. I would just assume that all of the export controls, which are dependent upon that particular law, namely the one on fats and oils, would expire with it, and we would be back on the general law.

Senator MILLIKIN. Would you continue the import controls after the need for the particular control in existence at the time had passed?

Secretary BRANNAN. Of course not.

Senator MILLIKIN. No. So, I mean, you reserve to yourself the discretionary right to terminate a control program?

Secretary BRANNAN. Within the limitation of the law.

Senator MILLIKIN. Yes.

Secretary BRANNAN. Yes.

Senator MILLIKIN. Now, what is it that causes these controls to come to an end, these particular controls I mentioned, on June 30, 1951 Is that your own determination or is that in the law?

Secretary BRANNAN. That is in the law.

Senator MILLIKIN. It is in the law?

Secretary BRANNAN. Yes.

Senator MILLIKIN. Are you prepared at this time to say whether you will ask the Congress to extend those controls?

Secretary BRANNAN Senator. I am not, and if I may just—I do not want to be in the position of appearing to be evasive about the

matter, but as you well know, in a position of that character our views must be submitted to the Bureau of the Budget, who in turn inquires of the other agencies interested, and the attitude of the President or the administration, and it is eventually sent up to the committee in the form of a letter. That is the only reason I have any hesitancy to express myself at this time.

Senator MILLIKIN. I notice that in connection with, I think it was the cotton quota we were talking about this morning, the matter ultimately was submitted to the Bureau of the Budget, so the Bureau of the Budget also sits in there as an agency which has veto powers over the action to be taken under section 22.

Secretary BRANNAN. No, Senator. I have never looked upon the Bureau of the Budget in that capacity. I look upon the Bureau of the Budget as an instrumentality of the President, by which he brought together all of the views on a pertinent subject, and eventually reached a conclusion.

If the decision or the conclusions reached by the Director of the Bureau of the Budget are inconsistent with my view, and I feel strongly enough about it, I would not consider it a veto or something to preclude my right to go and talk to the President about it at any time.

But once the President has made a decision then, of course, it would be my decision, and it would be final.

Senator MILLIKIN. Now, then, let us run through the procedure under section 22. You make a request—will you outline the procedure, please?

Secretary BRANNAN. Senator, if I remember correctly, someone representing or speaking for a particular segment of the group of agricultural producers submits to us a statement in some form or other, saying that their industry is being prejudiced by the influx from a source out of the country of a competitive commodity.

It may be the identical commodity, or it may not be the identical commodity but a competitive commodity, as is the case with nuts. Some of the nuts which were objected to in the memorandum which we had in the request we sent to the Tariff Commission were not the same kind of nuts that are produced in the country, but were nevertheless competitive, as to whether you bought cashews or pecans, for example.

We considered that request and examined the facts in our shop to determine the plausibility of the request. After determining that it was plausible we then referred it to the Tariff Commission for consideration. In the process of determining whether or not it is plausible we check with the other agencies of Government who were concerned with the problem, and certainly advise them that we were considering that matter, and also when we send it to the Tariff Commission for examination, so that they might have the opportunity to express their views.

Senator MILLIKIN. So it then goes before the Tariff Commission. Is it your view that the Tariff Commission under the language of section 22 has authority to go outside of the agricultural field and bring to bear these decisions on these great over-all questions?

Secretary BRANNAN. They would be better witnesses on the precise character of their authority, but it is my understanding that they are the agency which does make a full and thorough investigation.

Now, as to the exact limitations on it, I would prefer to let them define that, because they are more familiar with it than I, but I would assume their authorities were broad enough to authorize the examination into almost any aspect of the problem.

Senator MILLIKIN. Yes. Then assuming that they have a recommendation, that goes to the President?

Secretary BRANNAN. That is right, sir.

Senator MILLIKIN. And the President in turn has the whole field of Government agencies from which to get additional advice?

Secretary BRANNAN. That is right, sir.

Senator MILLIKIN. Or he can pick it up from outside of the Government agencies; he has complete discretion, in other words, as to what he is going to do?

Secretary BRANNAN. That is right.

Senator MILLIKIN. And along in there somewhere he can submit the matter to the budget, and the budget can make a recommendation which, in his discretion, he could follow?

Secretary BRANNAN. I would just assume that the President, no matter where he got the information, could make his own final decision of whether he would act or not upon the recommendation of the Commission.

Senator MILLIKIN. I am quite sure that is correct.

I notice one communication in the history of something or other here where the usual phrase occurs that:

> The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee—

and I saw something even more direct than that, this is from the Secretary of the Treasury. I think I saw that in this history having to do with long staple cotton, but be that as it may, the Congress goes to work and it writes section 22 which, I believe, was a mandate from the Congress to comply with section 22 for the sake of agriculture. It lifted that field of discretion out of the whole field, so that you could deal with it as an agricultural problem.

Now we see where the Tariff Commission may consult with all of the other agencies of the Government; we see where the President may do so, may consult with anyone he pleases. So this direct mandate can be diluted by all sorts of advice, assuming the advice to be good or bad, I am just talking about the dilution of these provisions in section 22 which, on the whole, seem rather clear.

Now, there could be no objection if the Congress thought there should be that kind of dilution and cleared up the act in points of that kind, could there?

Secretary BRANNAN. Senator, I would respectfully submit that the word "dilution" is not quite appropriate. It would seem to me that the fortification and strengthening of the ultimate decision by bringing to bear upon it all of the available information would be a somewhat better term, or a better phrase for the term.

Senator MILLIKIN. There could be dilution, and there could be fortification, there could be a change. It might be a change for the better or a change for the worse, but whatever the change there would be a departure, or there might be a departure from the relatively clear provisions of section 22.

That raises a question as to whether the Congress intended that.

Secretary BRANNAN. Well, Senator, if I again may respectfully submit, it seems to me that what the Congress intended to do was to lay down the criteria and to provide the framework or backdrop against which the facts would have to be examined, which would lead to the ultimate conclusion.

The alternative would be, Senator, for the committee itself to hear each one of these proposals for the putting into force or effect or changing the tariff regulations, but not being of a mind to do that it has delegated that to the administrative branch of the Government.

Senator MILLIKIN. Yes.

Secretary BRANNAN. And that actually what section 22 does is to authorize an agency of the executive branch of the Government to examine into all of the facts, and within a criteria to reach a conclusion.

Senator MILLIKIN. What is that criteria?

Secretary BRANNAN. The criteria is, I suppose, the welfare of the economy in general, the welfare of the particular segment of the economy which appears to be in distress, which alleges itself to be in distress, and a relating of the various interests concerned.

Senator MILLIKIN. I suggest to you that there is nothing in the criteria that can carry off into this general welfare theory.

Let me read section 22 into the record, I think we might as well get it in.

Secretary BRANNAN. Do you have a copy there, Senator?

Senator MILLIKIN. Yes; I believe so. Section 22 (a)—this is the act of June 28, 1950:

> Whenever the Secretary of Agriculture has reason to believe that any article or articles are being or are practically certain to be imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law Numbered 320, Seventy-Fourth Congress, approved August 24, 1935, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify.

Now, down to that point, do you see anything that authorizes you to go beyond the impact that may be involved in programs coming directly under your Department?

Secretary BRANNAN. No, sir; but of course the programs which we administer do have an impact upon the total economy in and to the extent, certainly, that they have an impact upon the agricultural segment of the economy.

Senator MILLIKIN. Yes; well, what do you make of that?

Secretary BRANNAN. I was just sustaining my point, Senator, that you look at the situation from a broader point of view that the interests of the particular group who have made the initial request.

Senator MILLIKIN. Well, let us see again what it says here, you are aiming to remedy against something that will—

tend to render ineffective, or materially interfere with, any program or operation undertaken under this title or the Soil Conservation and Domestic Allotment Act, as amended—

and so forth, describing it—

or other program or operation undertaken by the Department of Agriculture, or any agency operating under its direction, with respect to any agricultural commodity or product thereof, or to reduce substantially the amount of any product processed in the United States—

and so on and so forth.

I ask you again, What is there in there that enables you to consider the whole economic field in relation to your problem? Where is the mandate to do that in here?

Secretary BRANNAN. Well, Senator, I don't intend to represent that we make a broad economic investigation, because I did intend to say earlier in our discussion that I thought that was the Tariff Commission's prerogative in the matter.

But I do point out to you that—may I take the example of nuts again, which was one that was up—we were asked to examine into the question of the import of nuts on behalf of, I think, the almond growers.

But they were not concerned so much about the import of almonds as they were of several varieties of nuts which they got on the grocery store or candy store shelf which were competitive.

Another example could arise in the area of fats and oils. You cannot make a reasonable decision, or a defendable decision with respect to any one oil commodity without studying the whole situation with respect to the other oils.

For example, we have just in the past year had a very short crop of cotton, and thereby cottonseed and cottonseed oil. If it had not been for an abnormally high production of soybeans, the short cottonseed crop would have had a very serious impact upon our economy.

Senator MILLIKIN. I am not challenging anything that you have said right now.

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. Because you are not going outside of the agricultural field under what you have said just now.

Secretary BRANNAN. Senator——

Senator MILLIKIN. I repeat my question——

Secretary BRANNAN. May I just speak to that one point, Senator?

Senator MILLIKIN. Yes.

Secretary BRANNAN. You are actually led outside of the agricultural field, because parts of these oils with which soybeans compete and cottonseed competes are industrial oils, such as linseed and tung oil, which are nonfood, but interchangeable within certain limits with all of the food oils. They are to be preferred for some purposes but, nevertheless, are interchangeable, especially when periods of shortage or stringency occur.

Senator MILLIKIN. Yes. That all has to do with the produce that is affected by section 22; does it not?

Secretary BRANNAN. Yes, Senator.

Senator MILLIKIN. It does not get off into the whole economic field and go, for example, into State Department policies, or what might be the export policies of the Department of Commerce, or what might be the policies of the military.

There is no authority, I suggest, for your doing that under this language which I have read several times. If there is, I would like to see the words.

Secretary BRANNAN. Well, Senator, specifically you may say that the direction to go into that broad a field is not ours; but nevertheless, in order that the President can make a thoroughly proper decision, he is going to have to go into that or get some judgments on it from some sources at his command, and therefore—perhaps I am overstating what our initial obligation is under the statute, but our obligation, it seems to me, to the President is to advise him as fully as we can, because it is his decision which must ultimately be sustained, and be right, if it can possibly be right, and that is what he is always striving to do.

Senator MILLIKIN. Is it not your judgment, the judgment of the Tariff Commission, and the judgment of the President, under the express language of the law, limited to support-price programs, other program matters coming under the Soil Conservation and Domestic Allotment Act, matters affecting your agricultural commodities or product thereof—are not those judgments limited under the special language of this law to those matters?

It says so.

Secretary BRANNAN. Senator, certainly it says so, but it is an interpretation of what really are those matters. I just gave——

Senator MILLIKIN. Mr. Secretary, you would know at once whether an import quota would have an effect on these things that are specified that I read to you. I mean, there is no judgment about that; is there?

Secretary BRANNAN. Senator, no, and please don't understand me to say that we are reaching for any opportunity to go out and look at everything that is involved, but let me just touch on butter, for example. We have put a considerable amount of butter stocks acquired under a price-support program, a mandatory price-support program, into the school-lunch program, into institutional feeding, and into various kinds of low-income group feeding within our own country.

Senator MILLIKIN. Yes.

Secretary BRANNAN. Well, this is an area of economies, so to speak, which is unrelated to agriculture.

Senator MILLIKIN. The law tells you to do——

Secretary BRANNAN. But nevertheless the need for looking at those is inherent in this language.

Senator MILLIKIN. Mr. Secretary, you do not do that because you are a good-hearted fellow, but because the law tells you to do that; isn't that correct?

Secretary BRANNAN. That is correct. I think we are in agreement in that, Senator.

Senator MILLIKIN. We are in agreement on that much.

Now we go on to the investigation and report, and that all goes back to definite specified things. It says:

> If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts—

and they are clearly pointed out here in the preceding language—

> he shall by proclamation impose such fees not in excess of 50 percent ad valorem or such quantitative limitations on any article or articles which may be

entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order—

In order what? Not to help the whole economy, not to conform with diplomatic policies but—

in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with—

interfere with what?—

any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any produce processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken.

Again we come back to those which are specified:

Provided, That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 percent of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President: *And provided further,* That in designating any article or articles, the President may describe them by physical qualities, value, use, or upon such other bases as he shall determine.

Now, paragraph (c) reads:

The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes—

and so forth.

(d) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section.

(e) Any decision of the President as to facts under this section shall be final.

(f) No proclamation under this section shall be enforced in contravention of any treaty or other international agreement—

We have gone into that last subsection.

Secretary BRANNAN. It is in the record.

Senator MILLIKIN. That is already in the record, so I shall not bother to read it.

All that I am suggesting, Mr. Secretary, is that it is clear from the act of Congress that you are to put your mind on whether a supported article is injured under import programs, and, if so, you are to apply section 22, and that the act does not mandate you to bring yourself into adjustment with what might be contrary or modifying policies of the State Department, or the Department of War, or the Department of Commerce, or the Department of Labor, which departments might have their own views of the subject.

And the reason why I have kept pecking at this is, frankly, I had hoped that you would say that you would keep your mind strictly on your own business, and that you are not allowing this program to be fortified, as you put it, or weakened or adulterated, as I put it, or if you please, changed in any way because of other fields that are not covered by section 22.

Secretary BRANNAN. Well, Senator, I am sure if you were to have the time, and I do not assume you do, to read the reports on the

various commodities we have sent to the Tariff Commission, you would find that our concentration and primary concern was in that area.

I have assumed that was our responsibility as spokesman for the producers.

Senator MILLIKIN. Yes.

Secretary BRANNAN. The fact that the Tariff Commission may or may not take into consideration the other factors for the benefit of the President seems to me to be entirely within their own prerogative to do.

Senator MILLIKIN. I suggest again that I would like to have you point out to me where under the language they have the right to do that, either the Tariff Commission or the President.

Can you point out that language?

Secretary BRANNAN. Perhaps, Senator, as I said a little while ago, the exact extent of the investigations by the Tariff Commission is more their concern, but it seems to me that any decision made by any agency of the Government which does not take into account all of the pertinent factors cannot be the best possible decision, and that is the kind of a decision we are after, and the kind the President wants to make, and it is, it seems to me, still pertinent that if the decision had adverse implications in another field, such as the international field, sir, the President ought to be advised of it, and ought to have the opportunity to weigh the problem in the light of that kind of an impact or reaction.

Senator MILLIKIN. I think you have made that very clear, Mr. Secretary.

Now, I simply want to make this suggestion and get an observation on it, if you wish to give one: When the Congress sets about to carve a special field of action out for a department, the reason it does it, I suggest, is because it is not content with leaving it under a general umbrella. There is enough interest in some particular field—in this case in the agricultural field—to say, "We set out the criteria here in section 22 for putting quotas and other limitations on excessive imports in times of surplus," or whatever the criteria may be.

Now, that is the reason Congress takes that action. I think the whole tenor of your testimony tends to weaken that congressional purpose.

Secretary BRANNAN. Senator, I don't intend it to, and I respectfully submit that it does not. The fact that we call upon other agencies to give us information which bears on the subject certainly should not be construed in that fashion. For example, again let us take this nut problem. The trade representative comes in and says to the best of his knowledge there has been imported into this country blank quantity of nuts. Without questioning at all his integrity, wouldn't it still be proper for us to call on the Department of Commerce to verify these figures?

Otherwise, both they and us might be operating—I mean, the trade might be operating on a false assumption.

Senator MILLIKIN. Of course it would be proper. It would merely be verifying the figures that come under the operation of this section. You are not modifying the policy. You should look to any place to get the necessary facts and decide problems under the section, and that goes without saying.

Secretary BRANNAN. Well, Senator, I have been intending to say that from our point of view that is what we have been doing, that is what our previous referrals to the Tariff Commission will disclose.

Senator MILLIKIN. What I am suggesting in deeper aspect is that perhaps some of these control measures which you have recommended, or the Department of Agriculture has recommended, have not come into effect through the counter operation of counter policies of, let us say, the State Department, and I will bring that right home to nuts, if you wish, sir.

Secretary BRANNAN. Well, Senator, I can comment, my only comment must be that I don't think we have been influenced.

Senator MILLIKIN. I don't say you have been influenced, but I say the ultimate decision has been influenced by State Department policy, which is not authorized in section 22. I am saying that you, as I understand it, have recommended relief. I am saying that relief has not been forthcoming because of questions of international policy, whereas there is nothing in section 22 that authorizes any change in what is provided in section 22 because of international policy.

Secretary BRANNAN. Well, Senator, I would say technically that probably is correct, but section 22 by its very terms recognizes the existence of the General Agreement on Tariffs and Trade, because it attempts in (f) to relate the operations of this section, and by the very fact that it recognizes it in the terms of the statute itself, that should seem to me to permit the President to at least examine into the problem from the standpoint of the General Agreement on Tariffs and Trade.

Senator MILLIKIN. Yes. If that be true, then, how, Mr. Secretary could we ever pass a law here, assuming that it is in our power to do it, and assuming, if you wish, that it would be desirable to do it, to have concentrated attention on the single subject covered in the section?

Secretary BRANNAN. Senator, I think the President——

Senator MILLIKIN. I don't know how you would make it any clearer. This was intended as a special piece of legislature to benefit a special group in the way the law says, and I am very much interested in the argument which you give me in response that it is broader than that, and that the President can look at it broader than that, and that the Tariff Commission can look at it broader than that.

There is no authority for that in this section. I repeat, how can we write a special section to cover special situations if without authorizing it all sorts of other considerations can be brought in?

Secretary BRANNAN. Well, Senator, I still respectfully submit that the General Agreement on Tariffs and Trade, by the phraseology which the Congress included in section 22, is brought in for consideration. It is brought in for consideration by subsection (f) of section 22 itself.

Senator MILLIKIN. Where does it say that?

Secretary BRANNAN. Well, it seems to be all one sentence, Senator, but let me refer you to, let me just read it:

> No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party; but no international agreement or amendment to an existing international agreement shall hereafter be entered into—

There we are bringing in international agreements which did not permit the enforcement of this section with respect to the articles and countries—

to which such agreement or amendment is applicable to the full extent that the General Agreement on Tariffs and Trade, as heretofore entered into by the United States—

and there is the General Agreement on Tariffs and Trade brought right into the consideration of section 22—

permits such enforcement with respect to the articles and countries to which such general agreement is applicable.

And it is brought right in.

Senator MILLIKIN. That was done under the act of June 28, 1950, and it is somewhat a related provision to the preceding act of 1948, isn't that right?

Secretary BRANNAN. That is right. In short, I am saying that Congress has brought it in.

Senator MILLIKIN. As I pointed out to you earlier today, by that token, the token that Congress did it, Congress perhaps on its better understanding of what it did would be fully empowered to take it out?

Secretary BRANNAN. There is no question about the power of Congress to take it out. My plea is that if they are attempting to take it out, by section 8, I would hope that that view did not prevail.

Senator MILLIKIN. But you have no objection if this section (f) of section 22 were taken out by Congress, would you?

Secretary BRANNAN. Senator, I would, if there were not something submitted that substituted for it, that preserved the workability of section 22 and the Trade Agreements Act, because I respectfully submit the Trade Agreements Act has been, and still is, a useful and very useful device for American agriculture.

Senator MILLIKIN. If you could read this section (f) and when you read it and studied it as a lawyer as to just exactly what it means, assuming you can get some meaning out of it, and assume it does relate your program to that, I suggest that that would nullify the intention of section 22 and that, therefore, it is entirely relevant if we want to consider taking this out and maybe substituting for it something that is a little clearer, and I am not talking now about section 8, we will give that its own attention, but, Mr. Secretary, when you bring your own agricultural program into the confusions and obscurities and contradictions of GATT, I respectfully submit that you are not helping your program, but you are obscuring your program, and you are certainly obscuring the intent of section 22.

Secretary BRANNAN. Well, Senator, I suppose that is a matter of opinion, and I certainly have a great respect for your opinion. At the same time we have to have some experience, more or less, of operating our agricultural programs within the provisions of section 22, and have for the last year been maintaining large exports of the major commodities which contribute most to farm income.

That may partially be explained by the Marshall plan.

Senator MILLIKIN. Yes. Then we may take it as the purport of your testimony that you wish to keep your program subject to GATT?

Secretary BRANNAN. Senator, I can only say that on the basis of the experience so far with GATT, I have observed no serious reper-

cussions on the agricultural economy as a result of the fact that section 22 has been considered in connection with GATT.

Senator MILLIKIN. Mr. Secretary, if you were falling off a 10-story building and had only reached the second story, you could not observe any harm up to that point.

Secretary BRANNAN. As the fellow said, "So far, so good."

Senator MILLIKIN. But I would not say that was a conclusive argument.

Secretary BRANNAN. I agree to that and, Senator, I also agree that perhaps there are one or two groups who feel they may have been somewhat prejudiced by that fact, but I am not prepared to say that you can weigh it from that narrow point of view.

Senator MILLIKIN. Let me ask you again, are you prepared to say that you desire that your agricultural program shall continue to be subjected to GATT?

Secretary BRANNAN. Senator, the general theory—I believe the agricultural programs of this country have been very substantially aided and advanced by the various Reciprocal Trade Agreements which have been carried on since the time of Cordell Hull, and GATT, as a part of it, has been a useful and beneficial instrumentality for agriculture.

Senator MILLIKIN. And it is your answer that you desire to continue to operate under GATT?

Secretary BRANNAN. Well, Senator, within the limitations based upon my experience so far, I see no reason why it should not.

Senator MILLIKIN. That is rather negative. Would you answer more affirmatively whether you do or do not want to continue your program as to section 22 under GATT?

Secretary BRANNAN. Well, Senator, if you insist on a categorical answer, and I am not quite sure that the question should have just that specific answer, I don't think we can be disassociated from GATT. It has been beneficial so far. So until something further happens to change the situation, I think there ought to be an association with GATT.

Senator MILLIKIN. In order words, so far as you know now, you want to continue to be connected with GATT so far as section 22 is concerned?

Secretary BRANNAN. It is my way of saying that I don't think we have any alternative. What is my desire in the matter would depend on what alternatives there may be.

Senator MILLIKIN. And no alternatives occur to you?

Secretary BRANNAN. None so far.

Senator MILLIKIN. So in the absence of any alternative you desire to continue your agriculture program in association with GATT, so far as section 22 is concerned, and so far as the provisions of GATT are concerned, is that correct, Mr. Secretary?

Secretary BRANNAN. Well, Senator, the problem that worries——

Senator MILLIKIN. I think we are entitled to a very straightforward answer on that, sir.

Secretary BRANNAN. I think you are, sir, but the problem I am having is the use of the word "desire."

Senator MILLIKIN. The problem you are having is not to answer my question, Mr. Secretary.

Secretary BRANNAN. No, Mr. Senator, it is not important what I desire.

Senator MILLIKIN. Oh, yes it is.

Secretary BRANNAN. It is important as to what is in the public welfare, and the welfare of farmers, and I think the farmer's welfare has been served by the act so far, and by the general reciprocal trade agreements.

Senator MILLIKIN. Yes.

Secretary BRANNAN. And if that is tantamount to saying that I desire it, then I think the answer is in the affirmative.

Senator MILLIKIN. I am not looking for an answer that is an arguable answer, that is, something that this, that, or the other thing may be tantamount to something, but I would like to have you say "Yes" or "No". Do you want to continue your agricultural program as under section 22 in relation to GATT and under the terms of GATT?

Secretary BRANNAN. Well, Senator, just to conclude the discussion, I will say that it seems to me to be the best course, and I would so recommend.

Senator MILLIKIN. Very well, sir.

Senator WILLIAMS. Do I understand you are going to submit for the record a percentage of the exports of recent years of agricultural commodities which can be attributed to direct cash sales and those which have been subsidized by some agency?

Secretary BRANNAN. That question when asked earlier in the discussion this morning, I said covered fields of which we have no knowledge whatsoever, but I shall be happy to accumulate all the information I can and submit it.

I have no information about industrial goods.

Senator WILLIAMS. I am speaking about agricultural.

Secretary BRANNAN. We will supply with respect to agriculture the best information we have, realizing full well that your opinion as to what has been purchased with United States dollars, and what has been purchased with the country's own dollars, might be a different interpretation.

Senator WILLIAMS. If you will designate the source of the funds, we can form our own interpretations on that.

Secretary BRANNAN. We will, sir. (See pp. 68,136).

Senator MILLIKIN. Mr. Chairman, I would like to ask one more question.

The CHAIRMAN. Very well.

Senator MILLIKIN. There are other amendments in the bill. You have merely applied general observations to those, have you not?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. I understand that you generally take the position the Secretary of State has taken?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. You are not here making any special opposition to any particular amendment other than this section 8; is that correct?

Secretary BRANNAN. That is correct, sir.

Senator MILLIKIN. That is correct?

Secretary BRANNAN. Yes, sir.

Senator MILLIKIN. In other words, we do not have to start a long process of going through each of these amendments to determine the basis of your view?

Secretary BRANNAN. No, sir. The peril point matter does have some implications in agriculture, but I have associated my view with that of the Secretary of State who testified here previously.

Senator MILLIKIN. So any blunders he has made you will take them on yourself; is that correct?

Secretary BRANNAN. Gladly, sir.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. No further questions. Thank you, sir.

Senator WILLIAMS. I would like to put in the record at the conclusion of the Secretary's report a report on certain agricultural commodities which gives the changes in the tariff and imports, and so forth.

The CHAIRMAN. Yes, that may be so done. Have them inserted, Senator. Pass them to the reporter.

Before that is done, Mr. Secretary, is there anything you wish to add?

Secretary BRANNAN. I only want to say that when at one point in the discussion about potatoes I allowed my voice to get a little stronger and louder than it ordinarily is, if the committee needs an apology for it I hereby tender it. I assure you the gentleman with whom I was discussing the problem has a capacity for causing me to raise my voice on that subject.

The CHAIRMAN. All right, sir. Mr. Secretary, thank you very much for coming in. You will be available, you say, at some future date during the hearing, if it is desired that you come back?

Secretary BRANNAN. Yes, sir; Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary, for your appearance.

Now, Senator Williams, you may place that report in the record.

(The report above referred to is as follows:)

Barley

[48 pounds per bushel]

	1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty	*per bushel* $0 20	*per bushel* $0 15	*per bushel* $0.07½	Present rate.

	1939	1949
Ad valorem equivalents, based on imports in 1939 and in 1949	*Percent* 34 9	*Percent* 5.1

	1949		1950 (6 months)	
	Quantity	Foreign value	Quantity	Foreign value
Imports (practically all from Canada)	*Bushels* 12,688,616	$18,817,116	*Bushels* 7,332,218	$11,552,583

Realized losses under CCC program:
- For fiscal year ended June 30, 1950 — $2,608,939
  - Total, Oct. 17, 1933 to June 30, 1950 — 3,270,632

Inventories held by CCC, June 30, 1950:
- Quantity — bushels — 31,497,215
- Value — $46,434,104

Honey

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty	*Cents per lb*	*Cents per lb*	*Cents per lb.*	*Cents per lb*
Product of Cuba	2 2/5	1 1/5	1	9/20
Other than product of Cuba	3	1 1/2	1	3/4

	1939	1949
Ad valorem equivalent.	*Percent*	*Percent*
Product of Cuba	21.9	16.7
Other	10.4	15 4

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
Imports:	*Pounds*		*Pounds*	
Product of Cuba	3, 659, 127	$218, 022		
Other	5, 304, 117	343, 667		
Total	8, 963, 244	561, 689	6, 491, 894	$351, 616

Realized losses under CCC program:
For fiscal year ended June 30, 1950 .... None
Total, October 17, 1933, to June 30, 1950 .... $874, 470
Inventories held by CCC, June 30, 1950:
Quantity .... None
Value .... None

Tung oil

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty	Free	Free	Free	Free

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
	Pounds		*Pounds*	
Imports	64, 967, 627	$12, 092, 217	40, 172, 648	$8, 676, 626

Realized losses under CCC program:
For fiscal year ended June 30, 1950 .... None
Total, Oct. 17, 1933, to June 30, 1950 .... $311, 561
Inventories held by CCC, June 30, 1950:
Quantity .... None
Value .... None

Irish potatoes

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
		Per hundredweight	*Per hundredweight*	
Rates of duty: [1]				
Certified seed	75 cents	[2] 37½ cents, 60 cents, 75 cents.	[3] 37½ cents, 75 cents.	18¾ cents on quota of 1½ million bushels; 37½ cents on excess.
Other (table stock)	75 cents	[4] 37½ cents, 60 cents, 75 cents.	[5] 37½ cents, 75 cents.	18¾ cents and 50 percent on minimum quota of 1,000,000 bushels: [6] 37½ cents on excess.

[1] See Summary of Tariff Information for complete detail of seasonal and quota limitations.

[2] 60 cents-per-hundredweight rate applied Jan. 1–Feb. 28 and Dec. 1–23, inclusive; 37½ cents-per-hundredweight rate applied Mar. 1–Nov. 30 and Dec. 24–31, inclusive. These rates applied to 1½ million bushels of 60 pounds each in any year beginning Sept. 15. Entries in excess subject to rate of 75 cents per hundredweight. Rates for 1939 only.

[3] 37½ cents-per-hundredweight rate applies to 2½ million bushels of 60 pounds each in any year beginning Sept. 15 of any year; entries in excess subject to rate of 75 cents per hundredweight.

[4] 60 cents-per-hundredweight rate applied January, February and December; 37½ cents-per-hundredweight rate applied March–November, inclusive. These rates applied to 1,000,000 bushels of 60 pounds each in any year beginning Sept. 15. Entries in excess subject to rate of 75 cents per hundredweight. Entries from Cuba not charged against quota.

[5] 37½ cents-per-hundredweight rate applies to minimum quota of 1,000,000 bushels of 60 pounds each beginning Sept. 15 of any year. Entries in excess subject to 75 cents per hundredweight. Entries from Cuba not charged against quota.

[6] 18¾ cents-per-hundredweight rate would apply from Mar. 1 to Nov. 30. 30 cents-per-hundredweight rate would apply from Dec. 1 to last day of following February.

	1939	1949
Ad valorem equivalents:		
Certified seed:	*Percent*	*Percent*
37½-cent rate	22.5	18.4
75 cent rate	49.2	30.1
Table stock:		
37½-cent rate	25 0	21.0
75-cent rate	53.5	40.0

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
Imports (practically all from Canada):				
Certified seed:	*Pounds*		*Pounds*	
Quota shipments	117,111,215	$2,386,848	2,504,250	$54,576
Over quota shipments	320,082,437	7,984,927	167,501,651	3,751,783
Table stock:				
Quota shipments	37,776,151	674,805	807,550	12,360
Over quota shipments	99,386,947	1,861,786	136,049,329	2,483,182

Realized losses under CCC program:
- For fiscal year ended June 30, 1950 — $75,090,315
- Total, Oct. 17, 1933 to June 30, 1950 — 414,500,659

	Quantity	Value
Inventories held by CCC:	*Hundredweight*	
June 30, 1950	None	None
Dec. 31, 1950	45,000	$36,000

Dried eggs

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
	Cents per pound	*Cents per pound*	*Cents per pound*	*Cents per pound*
Rates of duty	18	27	27	13½

	1939	1949
	Percent	*Percent*
Ad valorem equivalents	104	24 7

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
	Pounds		*Pounds*	
Imports	1,952,326	$1,343,628	2,702,927	$1,746,597

Realized losses under CCC program:
For fiscal year ended June 30, 1950 .... $41,622,784
Total, Oct. 17, 1933, to June 30, 1950 80,032,063
Inventories held by CCC, June 30, 1950:
Quantity .... pounds.. 93,918,525
Value $103,290,365

Dry edible beans

[Cents per pound]

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty:				
May 1 to Aug. 31, inclusive:				
Red kidney	3	3	2	1½.
Other	3	3	1½	Present.
Sept. 1 to following Apr. 30, inclusive	3	3	3	1½.

	1939	1949
Ad valorem equivalent:	*Percent*	*Percent*
Red kidney (January-April and September-December)	88.1	27.4
(May-August)		12.2
Other (January-April and September-December)		31.8
(May-August)		22.8

Dry edible beans——Continued

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
Imports (from principal sources):				
Red kidney beans				
January-April and September-December	*Pounds* 45, 143	$4, 937	*Pounds* 15, 568	$1, 147
May-August	2, 300	376		
Other than red kidney:				
January-April and September-December:				
Italy	500, 215	48, 853		
Madagascar	456, 999	34, 488		
Argentina	331, 804	37, 086		
Chile			1, 353, 526	86, 517
Peru			198, 123	13, 518
Mexico			159, 598	9, 758
Total	1, 625, 594	153, 416	2, 328, 428	164, 278
May-August:				
Canada	20, 859, 860	1, 284, 851	10, 184, 960	526, 441
Madagascar	1, 990, 809	176, 353		
Italy	476, 109	51, 855		
Chile			2, 560, 979	146, 821
Total	24, 607, 959	1, 620, 550	13, 161, 988	702, 333

Realized losses under CCC program:
For fiscal year ended June 30, 1950 .... $880, 939
Total, Oct. 17, 1933, to June 30, 1950 .... 1, 055, 929
Inventories held by CCC, June 30, 1950:
Quantity .... hundredweight.. 9, 678, 102
Value $79, 689, 881

Flaxseed and linseed oil

[Flaxseed, 56 pounds per bushel]

	Act of 1930	1939	Present	Minimum rate possible under trade agreement
Rates of duty:				
Flaxseed .... bushels..	65 cents	65 cents	50 cents	32½ cents.
Linseed oil .... pounds..	4½ cents	4½ cents	4½ cents	2¼ cents.

	1939	1949
Ad valorem equivalent:	*Percent*	*Percent*
Flaxseed	56. 5	6 3
Linseed oil	52. 0	25. 5

	1949		1950 (January-June)	
	Quantity	Foreign value	Quantity	Foreign value
Imports:				
Flaxseed .... bushels..	147, 744	$762, 871	1, 711	$7, 794
Linseed oil .... pounds..	1,317, 021	234,315	66, 285	12, 212

Realized loss from CCC Program:
For fiscal year ended June 30, 1950 .... $3, 765, 056
Total, Oct. 17, 1933 to June 30, 1950 .... [1] 2, 580, 330

[1] Gains in years 1947, 1948 and 1949 equal $1,206,935.

Flaxseed and linseed oil—Continued

	Quantity	Value
Inventories held by CCC, June 30, 1950:		
Flaxseed .... bushels..	13,373,583	$69,766,981
Linseed oil .... pounds..	471,667,163	134,845,843

The CHAIRMAN. Mr. Reporter, please enter in the record the resolution adopted by the executive committee of the United States Council of the International Chamber of Commerce, Inc., dated January 19, 1951.

(The resolution referred to above is as follows:)

RESOLUTION ADOPTED BY THE EXECUTIVE COMMITTEE OF UNITED STATES COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE INC., JANUARY 19, 1951

The United States Council of the International Chamber of Commerce—

Realizing that the reestablishment of free convertibility and multilateralism depends upon achievement of equilibrium in international trade;

Favoring the establishment of such equilibrium at a higher rather than a lower level of trade;

Believing, therefore, that an expansion of United States foreign trade is essential;

Approving, in addition, the established United States policy of urging a continuous reduction of foreign trade barriers;

Considering, however, that the most effective initiative and example with respect to the liberalization of trade must come from the United States as the major trading nation;

Noting that the United States Government must have proper congressional authority if it is to pursue a constructive foreign trade policy: Therefore

Reaffirms its earlier support of the reciprocal trade agreements program, as expressed in Toward Freer World Trade (United States Associates, International Chamber of Commerce, Inc., New York, January 1949); and

Recommends the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years.

The CHAIRMAN. Also a letter by the president of the Young Women's Christian Association of the United States of America, relating to this bill.

(The letter above referred to is as follows:)

YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE UNITED STATES OF AMERICA,
New York, N. Y., January 31, 1951.

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee, Senate Office Building,
Washington, D. C.

MY DEAR SENATOR GEORGE: The national board of the YWCA strongly urges renewal of the Reciprocal Trade Agreements Act for a period of 3 years beginning in June 1951. We have supported this legislation since it was first introduced in 1934, and our most recent national convention in March 1949 reaffirmed our approval of the program. We have emphasized the following points both in previous statements to the Congress and to our own membership: (1) Mutual reduction of artificial trade barriers and discriminatory practices promote the exchange of goods; expanding multilateral trade helps each country achieve high levels of production and consumption; such good living standards are necessary for world political stability and peace. (2) The reciprocal trade program, although never fully tested under normal conditions, has increased our trade with nations participating in it. (3) The purposes of the program are in line with the interests of YWCA members as consumers seeking high living standards, as workers needing a high level of production and employment, and as partners in a world movement of Christian women promoting peace with justice and better living conditions for all.

While we realize that world trade is not normal at present because of the necessity of building up the defenses of the free world, it is most essential that the United States reaffirm its intention to work for increased trade and fewer barriers to trade. Since the United States is the dominant economic power in the world, its action will set standards for international economic cooperation and development. It is imperative that our country's often reiterated intent to cooperate be demonstrated in regard to economic foreign policy and become an integral part of foreign policy as a whole. The United States will remain the world's creditor for some time and will, therefore, need to continue its encouragement of imports.

We are convinced, from study of the operation of the program, that adequate safeguards for legitimate domestic interests exist in the actual negotiation of tariff concessions, and that no additional procedures are necessary.

We hope that your committee and the Senate itself will act promptly to extend the reciprocal trade program. Will you kindly include this statement in the printed record of the hearings?

Sincerely yours,

CONSTANCE M. ANDERSON
Mrs. Arthur Forrest Anderson, *President.*

The CHAIRMAN. Also various resolutions and final action by the American Federation of Labor at Houston, Tex., at the recent convention relating to trade agreements, which were submitted by the president, Mr. William Green.

(The documents referred to above are as follows:)

RESOLUTION NO. 21. RECIPROCAL TRADE AGREEMENTS PROGRAM

(By Delegates Anthony Valente, Lloyd Klenert, Roy S. Whitmire, Louis Rubino, Philip Salem, United Textile Workers of America)

Whereas relatively full employment and high wage standards are dependent, fundamentally, on a high level of general industrial activity in the Nation because this means more and better customers among American workers for American products, including American textile products, and for the full development of such a high level of industrial activity and employment, it is essential that two-way international commerce be expanded, and

Whereas the reciprocal trade program is contributing to such trade expansion by reducing or removing unnecessary and artificial tariff and other trade barriers, both foreign and American, and this is important because the United States economy needs imports: (1) To supply necessary raw materials for United States industries as well as goods for United States consumers; and (2) because foreign customers for United States products can get American dollars with which to pay for those United States products only by selling their own goods and services in the United States market, and the reciprocal trade agreements program makes these sales easier, and

Whereas the reciprocal trade program is part of our general national policy of political and economic cooperation with the democratic forces of the world to combat all forms of totalitarianism and all menaces to the peace and political and economic stability of our democratic allies; the Marshall plan, the North Atlantic Pact, the point 4 program, the military aid program, and the reciprocal trade agreements program are all part of this American foreign policy counterattack against Soviet Communist imperialism and its menace to peace and freedom, and

Whereas, during the 1920's, protective tariffs, which were at their highest point in the history of this Nation, failed to provide regular employment or high wages for American workers, and, similarly, these high barriers did not make jobs or maintain wages for our workers back in the depression days of the 1930's; it has been American efficiency and know-how which have enabled American producers to compete in the world market against goods from foreign countries, when people in the world market can get the dollars to pay for American goods, but, on the other hand, high tariffs have raised the living costs of American consumers, and this tends to reduce the ability of American workers to buy American goods, and

Whereas tariff reductions under the reciprocal trade agreements program are made with care and moderation and only after exhaustive study by trade experts and after opportunity for interested persons to state their views, and in the 16 years during which this program has been carried on, it has not brought about any flood of imports of any commodities; in 1949, for example, notwithstanding

the various tariff reductions in different types of textiles under trade agreements since 1934, total United States imports of textiles were ridiculously insignificant by comparison with the vast size of our domestic production, and, in fact since the development of the program, the American textile industry has grown very prosperous, jobs have been more steady and wages for textile workers have reached their highest levels in our history: Therefore be it

Resolved, That the Sixty-ninth Annual Convention of the American Federation of Labor gives its support to our Government's reciprocal trade agreements program and urges that it be pushed with vigor, unimpeded by partisan political obstacles and the sordid pressure of special interests.

Referred to committee on resolutions.

FINAL ACTION

As was done on previous occasions, your committee recommends approval of the principle underlying reciprocal trade agreements.

The reciprocal trade agreements program offers a method toward freeing of international trade from restrictive 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 support of 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. Then, too, we would urge that in the process of reaching reciprocal trade agreements affecting the labor standards of our workers, labor be accorded an appropriate and adequate opportunity of presentation and effectual representation.

Committee Secretary Soderstrom moved the adoption of the committee's report. The motion was seconded and carried unanimously.

RESOLUTION NO. 4. PROTEST AGAINST FOREIGN-MADE GOODS

(By Delegate William Nagorsne, Wisconsin State Federation of Labor)

Whereas organized labor, during the past decade, has made wonderful strides of progress and has become an effective force in the economic and political field, and

Whereas the right to join a labor organization for security as to wages, working conditions, and otherwise is no longer a question of form but of necessity to bargain collectively, and second to this to demonstrate a cooperative spirit for collective buying for union-made and union-label products which can be had for the asking; to ignore this in practice is to disregard a condition of union membership and will fail to impress merchants of its value as a commercial asset, and

Whereas certain American industrial plants are confronted with a new menace by imports of foreign-made commodities, especially shoes produced by low-wage conditions, and in some instances slave labor, that may, if not checked, ultimately demoralize, by unfair competition, the shoe industry and shatter the economic status of thousands of shoe workers, and

Whereas Boot and Shoe Workers Unions have made overtures in the form of written protest to congressional Representatives at Washington, D. C., seeking relief, and

Whereas we are officially informed that there are approximately seven million AFL organized workers plus members of their immediate families in the United States with a vast buying power for union-made and union-label merchandise, which if used intelligently can prove a dominant factor and discourage to some extent the purchasing of foreign-made goods which carry no union stamp or union label: Therefore, be it

Resolved, That we cannot emphasize too strongly the necessity of making special efforts for increasing the demand for union-label goods, union house cards and service buttons, and request the officers of the American Federation of Labor to use every method they deem advisable to stress the importance of purchasing union-label merchandise, and be it further

Resolved, That the American Federation of Labor in convention assembled at Houston, Tex., go on record protesting the influx of foreign-made goods from European and Asiatic countries whose low cost of production is a serious threat to the wage rates established by the American Federation of Labor.

Referred to committee on resolutions.

RESOLUTION NO. 11. UNFAIR FOREIGN COMPETITION

(By Delegates Harry H. Cook, Arthur J. O'Hara, Ivan T. Uncapher, Ernest A. Merighi, American Flint Glass Workers' Union.)

Whereas lower wages than those prevailing in the United States account for the principal competitive advantage enjoyed by foreign countries when they ship dutiable merchandise into our domestic market, and

Whereas these lower wage scales permit dutiable goods to be sold at lower prices in this country than our own producers can meet without reducing wages or curtailing employment, and

Whereas competitive imported goods that derive their sales advantage from lower wages are as destructive of our own labor standards as were sweatshop operators in this country before the adoption of a national minimum wage, and

Whereas our labor organizations have no means of organizing the workers overseas in an effort to raise their standards and our minimum wage laws do not extend beyond our own country, and

Whereas it is no more necessary that foreign exporters have a competitive advantage derived from low wages in order to sell in this market than it is for sweatshop operators to make a regular practice of grossly underselling fair employers in order to compete with them, and

Whereas a healthy import trade can be created upon a basis of fair competition and can, in fact, thus be expanded, just as the elimination of sweatshops in the domestic economy contributes to healthy economic expansion, and

Whereas limitations on imports need not be restrictive in order to create competitive parity but on the contrary, by creating the basis of fair competition, would contribute to the growth of trade in the international field no less than fair competition does in the domestic, and

Whereas over 60 percent of the imports into this country are now and have long been free of duty because they represent goods in the production of which other countries enjoy a natural advantage of climate, soil or resources and which are complementary to, rather than competitive with, the output of our own factories, and

Whereas the remaining 40 percent of competitive imports, if unimpeded in any way, would leave our workers at the mercy of low-wage rivalry, a process that would have only one ultimate effect, namely, the impoverishment of our labor force, and

Whereas many members of unions affiliated with the American Federation of Labor know from direct and bitter experience the disastrous consequences of low-wage foreign competition which has not been properly offset by a rate of duty or other protective measure to insure its fairness: Therefore, be it

Resolved, That the American Federation of Labor, while fully recognizing the many economic benefits of a healthy foreign trade, declare its disapproval of such competitive imports as derive their competitive advantage from low wages prevailing abroad, unless this unfair advantage is appropriately offset or guarded against to assure competitive parity; that the undermining of labor standards through wage competition on an international scale cannot be accepted as a legitimate form of economic improvement; that it is not necessary, as a condition of selling successfully in the United States, to offer goods at prices that substantially undercut the market; that the most healthy and voluminous trade can be built around fair competitive methods rather than seeking to base it upon price advantages that threaten loss of employment and reduction in wages; and finally that the American Federation of Labor express its concern over further tariff reductions that will expose our workers to unfair competition from foreign wages and thus undermine the wage standards built up in this country over the years.

Referred to committee on resolutions.

RESOLUTION NO. 12. UNFAIR FOREIGN COMPETITION

(By Delegates James M. Duffy, Charles F. Jordan, Frank Duffy, Clarence Davis, National Brotherhood of Operative Potters)

Whereas lower wages than those prevailing in the United States account for the principal competitive advantage enjoyed by foreign countries when they ship dutiable merchandise into our domestic market, and

Whereas these lower wage scales permit dutiable goods to be sold at lower prices in this country than our own producers can meet without reducing wages or curtailing employment, and

Whereas competitive imported goods that derive their sales advantage from lower wages are as destructive of our own labor standards as were sweatshop operators in this country before the adoption of a national minimum wage, and

Whereas our labor organizations have no means of organizing the workers overseas in an effort to raise their standards and our minimum wage laws do not extend beyond our own country, and

Whereas it is no more necessary that foreign exporters have a competitive advantage derived from low wages in order to sell in this market than it is for sweatshop operators to make a regular practice of grossly underselling fair employers in order to compete with them, and

Whereas a healthy import trade can be created upon a basis of fair competition and can, in fact, thus be expanded, just as the elimination of sweatshops in the domestic economy contributes to healthy economic expansion, and

Whereas limitations on imports need not be restrictive in order to create competitive parity but on the contrary, by creating the basis of fair competition, would contribute to the growth of trade in the international field no less than fair competition does in the domestic, and

Whereas over 60 percent of the imports into this country are now and have long been free of duty because they represent goods in the production of which other countries enjoy a natural advantage of climate, soil, or resources and which are complementary to, rather than competitive with the output of our own factories, and

Whereas the remaining 40 percent of competitive imports, if unimpeded in any way, would leave our workers at the mercy of low-wage rivalry—a process that would have only one ultimate effect, namely, the impoverishment of our labor forces, and

Whereas many members of unions affiliated with the American Federation of Labor know from direct and bitter experience the disastrous consequences of low-wage foreign competition which has not been properly offset by a rate of duty or other protective measure to insure its fairness: Therefore, be it

Resolved, That the American Federation of Labor, while fully recognizing the many economic benefits of a healthy foreign trade, declare its disapproval of such competitive imports as derive their competitive advantage from low wages prevailing abroad, unless this unfair advantage is appropriately offset or guarded against to insure competitive parity; and be it further

Resolved, That the undermining of labor standards through wage competition on an international scale cannot be accepted as a legitimate form of economic improvement; and be it further

Resolved, That it is the sense of this body (*a*) that it is not necessary, as a condition of selling successfully in the United States, to offer goods at prices that substantially undercut the market; (*b*) that the most healthy and voluminous trade can be built around fair competitive methods rather than seeking to base it upon price advantages that threaten loss of employment and reduction in wages; and be it further

Resolved, That the American Federation of Labor express its concern over further tariff reductions that will expose our workers to unfair competition from foreign wages and thus undermine the wage standards built up in this country over the years.

Referred to committee on resolutions.

ADEQUATE TARIFF RESOLUTION NO. 126

(By Delegates Joseph O'Neill, Sol Cilento, Distillery, Rectifying and Wine Workers' International Union)

Whereas new and drastic reductions in United States import duties on wines, fresh grapes and raisins are proposed in negotiations to be conducted with foreign countries at Torquay, England, beginning on September 28, and

Whereas 500,000 Americans in wine wholesaling and retailing, and in the transportation, printing, lithography, glass, closure, packaging, advertising, winery equipment and farm-equipment industries derive all or part of their income from supplying or serving the grape and wine industry, in addition to the 158,000 American farm families which grow grapes and make wine, and

Whereas the loss of adequate tariff protection would admit large volumes of the products of cheap foreign labor and would displace grapes, raisins, and wines from their home markets, thereby throwing many American workers out of employment and injuring the economy of many United States communities, and

Whereas the grape and wine industry and the many industries which serve and supply it already have been grievously injured by previous cuts in the tariffs on foreign wines and by the repeated devaluations of foreign currencies, and

Whereas such countries as Spain and Portugal, which are not even parties to the tariff negotiations, would be the principal beneficiaries of any reductions in the wine tariffs, therefore, be it

Resolved, That the American Federation of Labor goes on record as opposing any reductions in present tariffs on grapes, raisins, and wines and as recommending restoration of adequate tariff protection for these products grown and distributed by American labor, and be it further

Resolved, That copies of this resolution be transmitted to the committee for reciprocity information, the United States Tariff Commission, the United States Department of Agriculture, the United States Department of State, the United States Department of Labor, and Members of the Congress of the United States.

Referred to committee on resolutions.

FINAL ACTION

Resolutions 4, 11, 12, and 126 all deal with the subject of unfair foreign competition, calling for greater use of the union label, shop card and button, disapproving competitive disadvantage from low-wage areas, seeking competitive parity and assurance against still further reductions in import duties.

Your committee is in accord with and approves the principles involved and the objectives sought in these several resolutions. We fully recognize the many economic benefits of a healthy foreign trade. World economic stability cannot be regained without a large volume of sound international trade.

However we must not forget that competitive imports that derive their market advantage from low wages prevailing in other countries are a constant threat to our labor standards, unless this unfair advantage is offset or guarded against to assure competitive parity.

We cannot accept international wage competition as a method of economic improvement since such competition, wherever it occurs, inevitably undermines the higher of the competing standards. International trade like domestic trade can be expanded most soundly on the basis of fair competition.

Our import duties should prevent low-wage rivalry from abroad as our State and National minimum-wage laws seek to avoid such rivaly at home, to the end that our labor standards may be maintained and further improved.

Committee Secretary SODERSTROM. Your committee is in accordance with and approves the principles involved and the objectives sought in these several resolutions, and I move the adoption of the committee's report.

The motion was seconded and unanimously carried.

The CHAIRMAN. Also please insert in the record a statement of Meyer Kestnbaum, chairman of the Committee for Economic Development, particularly on the extension of the Reciprocal Trade Agreement Act, and also a letter from H. R. Parker, the candle manufacturing industry.

(The information referred to follows:)

STATEMENT ON BEHALF OF THE RESEARCH AND POLICY COMMITTEE, COMMITTEE FOR ECONOMIC DEVELOPMENT, BY MEYER KESTNBAUM, CHAIRMAN

The research and policy committee of the Committee for Economic Development [1] is on record with respect to the need for vigorous expansion of world commerce, and the importance of the Reciprocal Trade Agreement Act in furthering such expansion. At no time has this been more important than at the present when we are striving to keep the free world militarily and economically strong to resist Russian aggression, whether military or economic. CED welcomes the

[1] The Committee for Economic Development is an organization of businessmen formed to study and report on the problems of achieving and maintaining high and secure stanoards of living for people in all walks of life through maximum employment and high productivity within a free economy. Its research and policy committee issues from time to time statements of national policy concerning recommendations for action which, in the committee's judgment, will contribute to maintaining productive employment and high living standards. A list of the members of the CED research and policy committee is attached.

opportunity afforded by the invitation of your committee to reaffirm its position and to submit a statement in support of an extension of the Reciprocal Trade Agreement Act without material change for another 3 years.

Since its inception the CED has been concerned with the kind of postwar world we are to live in. It has sought to strengthen our free society by making the free enterprise system work better. A freer flow of trade between countries is an important means to this end both for our own sake and for the larger free world of which we are a part and a leader.

In 1945, our research committee, after extensive study, issued a policy statement on International Trade, Foreign Investment and Domestic Employment in which it said:

"Restrictions to world trade prevent free flow of goods, services, and capital from where they are available to where they are needed. This obstruction prevents efficiency in the use of the world's human and material resources and is an obstacle to the attainment of a higher living standard. Trade is a two-way street. In the end, exports must be paid for by imports, if they are to be paid for at all.

"We must recognize, nevertheless, that Government-established barriers are instruments of national policy, and in special circumstances, at times, and for some countries, they may meet a national need. They should be looked at as tools which are more often used badly than well. Unfortunately, their effect has been often misunderstood by their advocates, and what was intended as a protection for capital, labor, and natural resources has resulted in shrinking markets, the discouragement of ingenuity and invention, and a lower standard of living."

The committee went on to recommend that the United States "take the lead in its own interest in a program to bring about a great reduction in the artificial barriers to trade between nations" and to this end, the committee urged that the Trade Agreement Act be renewed and strengthened and that negotiations under the act should be pressed vigorously so as to bring about substantial rate reductions.

Again in 1948 we urged the extension of the act without weakening amendments. Our testimony on that occasion closed with the following statement:

"The policy recommended is in our own national interest. It will contribute to improvement in our standard of living at home. It will tend to reduce the drain upon our resources by assisting other countries to rehabilitate themselves. It will increase our opportunity to receive repayment of loans made abroad, thus lessening the burden on the American taxpayer. By contributing to greater prosperity and higher living standards abroad, it will strengthen the causes of freedom and peace."

On the basis of the act, this country has taken leadership among the nations of the free world in reducing trade restrictions and substantial progress has been made. Thirty-two countries have signed the General Agreement on Tariffs and Trade negotiated under the act. This agreement covers more than 45,000 items or two-thirds of the imports of the countries concerned. Another 14 countries have signed bilateral agreements negotiated under the act. Negotiations are now taking place in England to further reduce tariff barriers by reciprocal agreement. Our leadership is bringing about a freer flow of trade and is enlarging the area of free enterprise in international trade.

Today our leadership in the free world is more important than ever. The Russian threat is only partly military. It is primarily economic—an effort to substitute a controlled system of production and trade for a free system. If we now depart from our policy of reducing trade barriers, we will greatly weaken our ability to stimulate a freer flow of trade in the non-Russian world. To halt or cripple the trade-agreement program at this time would be a much more severe blow to the cause of free enterprise than the loss of the specific traiff reductions which would be made under the program. Such a reversal of policy might well be taken abroad as evidence that we were not sincere in urging a freer flow of trade among all nations.

The extension of the Reciprocal Trade Agreement Act now being requested presents little danger of injury to American industry. The high level of demand accompanying the defense program provides ample markets for the goods which can be produced by our own factories and for goods we import as well. Under present conditions, in fact, an increase in our imports as compared with our exports will help to ease inflationary pressures by increasing the supply of goods available for civilian consumption. It can contribute to our defense program by encouraging the importation of materials and products important for rearmament and now in scarce supply. At the same time it can strengthen other free countries in

their resistance to aggression, by enabling them to purchase more of the goods they need for defense and for the support of their civilian populations.

In our necessary concern with the problems of defense, we should not lose sight of the longer-run advantages of strengthening the flow of trade between this and other countries. We gain by exchanging what we can produce best for the things other countries can produce best. The other countries also gain by this exchange. The mutual gains resulting from international trade are often hidden by the form the trading takes but they are nonetheless real. The problem is to continue to obtain the benefits of this trade without serious injury to particular American industries. This the trade agreements program is well designed to accomplish, as the record of recent years clearly indicates. We believe the trade agreement program should continue to be a permanent part of our national policy.

Furthermore, we see no good reason for modifying the provisions of the present act. It has not only worked well in bringing about reciprocal reductions in trade at home and abroad, but has effectively protected American businesses from the peril of too great or too rapid tariff reductions. The present act provides that the President shall obtain the advice and assistance of the appropriate Government agencies in drawing up agreements. Second, it provides that interested persons shall have the opportunity to present their views both before and after negotiation, and adequate machinery has been set up to make this effective. Third, since 1943, all agreements have included an escape clause allowing the President to modify or withdraw a specific concession if it is found that imports of the particular article have caused or threaten to cause serious injury to one of our industries.

Operations under the escape clause give evidence that the program has not brought undue hardship to American industry or agriculture. Although there have been several thousand tariff reductions negotiated under the program only 21 applications for relief have been filed under the escape clause. Four of these are still under investigation; in only 1 of the 17 cases in which decisions have been handed down has the Tariff Commission found justification for invoking the escape clause. In this case the tariff reduction was withdrawn. Clearly, in the great bulk of cases industry has not found the changes a serious burden.

It is important that this successful program should be continued. We recommend that the act be renewed in its present form for another 3 years.

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J. D. Zellerbach, president, Crown Zellerbach Corp., 343 Sansome Street, San Francisco 19, Calif.

FEBRUARY 27, 1951.

Re: Extension of the Trade Agreements Act, H. R. 1612.

Chairman, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: This brief is filed in behalf of the candle manufacturers in the United States in protest against an extension of the Trade Agreement Act of 1934 as amended by the House of Representatives, H. R. 1612. In spite of our brief presented in opposition to tariff cuts (which are a matter of record and available to your committee) we have been given the maximum reduction possible up to this point. In addition we are again on the list for a reduction at the Torquay conference.

The product under consideration is covered in paragraph 1536 of the Tariff Act 1940 quoted below. The commodity numbers in the Statistical Classification of Imports into the United States are 9850.100 and 9850.120.

"Par. 1536. Candles, 27½ per centum ad valorem manufactures of amber, bladders, or wax, or of which these substances or any of them is the component material of chief value, nor specially provided for, 20 per centum ad valorem."

Due to the tariff concessions at the Geneva conference in 1947 this was changed to—

"Par. 1536. Candles of wax, 14 per centum ad valorem."

The facts upon which we have based our previous briefs are as important and as pertinent as they were when first presented. Rather than take the time of the committee by repetition of the entire argument we are listing the facts (all of which we have previously substantiated) in the hope that this time we will reach some one who has the understanding to interpret these facts intelligently and the power to act in the light of those facts.

1. An industry stemming from Colonial times.
2. A product required in national defense to such an extent as to utilize the full capacity of the industry.
3. High essentiality of labor and materials under war conditions.
4. An overcapacity of more than five to one.
5. Increased labor costs of 25 percent from 1946–50 with labor rates well above those prevailing in competitive countries.
6. A decline in sales of 17.45 percent since 1946.
7. A 63-percent increase in number of manufacturers since 1933.
8. With plants operating one shift, present production well above demand.
9. Full impacts of currency devaluations abnormal conditions, pending legislation in countries not yet felt in our markets.

The record of imports for last year has shown a steady increase through the first 11 months from 12 countries, most of whom have not supplied candles to the United States for many years if ever. These are the countries mentioned in our

earlier briefs from whom we feared this type of low-cost-labor competition. We have currently received word of 4,908 cases and 10,572 cases which have just been consigned to a concern within the United States. This latter shipment alone represents more than twenty-two percent of a normal year's business for the companies submitting statistics for these briefs. As we have previously stated they represent about three-quarters of the entire production of candles in this country.

As a result of current untenable conditions one of the oldest manufacturers—representing a substantial percentage of the total candle business—has been forced to close and demolish its plant.

It is evident that the purposes of the act outlined in the preamble are not being fulfilled: "Overcoming domestic unemployment." "increasing purchasing power of the American public," "maintaining a better relationship among various branches of American agriculture, industry, mining and commerce."

This country should forego the trade agreement policy until normal times return during which the benefits or ill effects of this act can be given a fair test. The expanded economy resulting from World War II has precluded any normal business operations and because of the Korean war we are still in an abnormal economy.

The peril point amendment recommended by the House of Representatives is too indefinite in its definition of "serious injury" nor is the investigation period of 120 days adequate in view of the small staff of investigators. The same reasoning applies to the proposed escape clause. Positive remedies should be outlined and mandatory action required.

Competent legal opinion has proven that the entire act is illegal and unconstitutional.

Section 336 of the Tariff Act of 1930 should be reinstated and allowed to function so that rates could be tested by scientific formula and corresponding adjustments provided.

We are requesting outright repeal of the act at this time. Failing that we ask that any extension at least carry with it the following recent provisions of the House amendments as well as incorporate the points outlined above.

1. Tie in reductions with parity price levels.
2. Reinstate the peril points empowering the Tariff Commission to fix a point below which the tariff on any item cannot be cut.
3. Reinstate the right of judicial review of grievances and arbitrary decisions which may be imposed upon the citizens by the negotiators.
4. End all tariff concessions to communist countries.

Respectfully submitted.

THE CANDLE MANUFACTURING INDUSTRY.
By H. R. FARKER.

The CHAIRMAN. Also please insert in the record a letter from the Junior Senator from Colorado, Mr. Millikin, to which is attached a list of classes of imported commodities imported by members of the National Council of American Importers, Inc., dated February 1, 1951.

(The document above referred to is as follows:)

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
February 21, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee, Washington, D. C.

DEAR SENATOR: Attached is a list of classes of imported commodities imported by members of the National Council of American Importers, Inc., dated February 1, 1951, which I have been requested to include in the hearings on the extension of reciprocal trade agreements legislation. It is my understanding that this list was received too late to be included in the House hearings and so I have been asked to see that the list is inserted in the Senate hearings.

With very best regards, I am

Sincerely,

EUGENE D. MILLIKIN.

List of Classes of Imported Commodities Imported by Members of the National Council of American Importers, Inc.

1. Abrasives.
2. Agar-agar.
3. Agricultural machinery.
4. Alabaster.
5. Alkaloids.
6. Aluminum.
7. Antimony.
8. Antimony ware.
9. Antiques.
10. Arrowroot.
11. Art goods.
12. Asbestos.
13. Automobiles.
14 Bags.
15. Ball bearings.
16. Ball clay.
17. Bamboo poles.
18. Bamboo ware.
19. Baskets.
20. Beads.
21. Beans.
22. Beeswax.
23. Berets.
24. Bicycles and accessories.
25. Binder twine.
26. Books and periodicals.
27. Botanical drugs.
28. Braids.
29. Brassware.
30. Brewer's yeast.
31. Bristles.
32. Brush materials.
33. Brushes.
34. Burlap.
35. Cabinet woods.
36. Cameras.
37. Candilla wax.
38. Candy and confectionery.
39. Canvas.
40. Carnauba wax.
41. Carpets.
42. Carriages (baby and doll).
43. Casings.
44. Cassava.
45. Cassia.
46. Castor beans.
47. Chalk.
48. Cheese.
49. Chemicals (other than industrial).
50. Children's and infants' wear.
51. Chinaware.
52. China clay.
53. Chocolate.
54. Chrome ore.
55. Cigars and cigarettes.
56. Cigarette boxes.
57. Cinchona bark.
58. Citronella oil.
59. Clocks.
60. Clothing.
61. Coal tar products.
62. Cocoa.
63. Cocoa fiber mats.
64. Coconut meat products.
65. Coconut oil.
66. Cod liver oil.
67. Coffee.
68. Copper.
69. Cordage fibers.
70. Cork.
71. Cornwall stone.
72. Cosmetics.
73. Cotton cloth.
74. Cotton, raw.
75. Cotton, waste.
76. Cutlery.
77. Decorations.
78. Decorative linens.
79. Diamonds.
80. Dolls.
81. Drapery fabrics.
82. Drawing paper.
83. Drawing materials and instruments.
84. Drugs, herbs, leaves, and roots.
85. Dyestuffs.
86. Earth pigments.
87. Earthenware.
88. Egg products.
89. Electric light bulbs.
90. Electric meters.
91. Electric motors.
92. Electrical goods.
93. Electronic equipment.
94. Embroideries.
95. Essential oils.
96. Fats.
97. Feathers.
98. Feeds and fodders.
99. Felts.
100. Fertilizer.
101. Firecrackers.
102. Fish.
103. Fish, canned or preserved.
104. Fishing supplies.
105. Flax, unmanufactured.
106. Flaxseed.
107. Flowers (artificial).
108. Fluorspar.
109. Food (canned).
110. Fruits, dried.
111. Fruits, fresh.
112. Fuller's earth, natural and activated.
113. Furnishings, men's.
114. Furniture.
115. Giftware.
116. Glassware.
117. Gloves.
118. Glucosides.
119. Glue stock, hide cuttings, etc.
120. Grains.
121. Grass and straw rugs.
122. Groceries, fancy.
123. Gums.
124. Gypsum.
125. Hair.
126. Handbags.
127. Handkerchiefs.
128. Hardware.

LIST OF CLASSES OF IMPORTED COMMODITIES IMPORTED BY MEMBERS OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.—Continued

129. Hat bodies.
130. Hats, felt.
131. Hats, straw or grass.
132. Hemp.
133. Henequen or sisal.
134. Honey.
135. Hosiery.
136. Industrial chemicals.
137. Industrial equipment.
138. Insecticides.
139. Instruments, scientific.
140. Iron, scrap.
141. Istle or Tampico fiber.
142. Jelutong and guttas.
143. Jewelry, costume.
144. Jute bagging.
145. Jute butts.
146. Jute, raw.
147. Kapok.
148. Karaya.
149. Knit goods.
150. Laces.
151. Lamps.
152. Latex.
153. Lead.
154. Leather.
155. Leather goods.
156. Lighters.
157. Linens.
158. Linoleum.
159. Luggage.
160. Lumber.
161. Manganese.
162. Manila or abaca fiber.
163. Machinery.
164. Mats.
165. Meat products.
166. Medicinal preparations.
167. Menthol.
168. Mercury.
169. Metal leaf and powder.
170. Metals.
171. Mica.
172. Millinery supplies.
173. Minerals.
174. Mufflers.
175. Musical instruments.
176. Nets and netting.
177. Notions and novelties.
178. Nuts.
179. Olive oil.
180. Olives.
181. Onion and garlic powder.
182. Oriental rugs.
183. Ornaments.
184. Packaging machinery.
185. Palm oil.
186. Paper makers' supplies.
187. Paraffin wax.
188. Peat moss.
189. Pens and pencils.
190. Pepper.
191. Perfumery.
192. Perilla oil.
193. Photographic goods.
194. Piece goods.
195. Pigments.
196. Pipes.
197. Porcelain ware.
198. Potash salts.
199. Pottery.
200. Powder, talcum.
201. Printing supplies.
202. Pulpwood.
203. Pumice stone.
204. Quartz crystals.
205. Quilts.
206. Rags.
207. Rapeseed oil.
208. Rattans and reed.
209. Rayons.
210. Resins.
211. Rope and twine.
212. Rubber, crude and scrap.
213. Rugs, wool.
214. Safety pins.
215. Scarfs.
216. Sesame seed.
217. Shellac.
218. Shingles.
219. Shoes.
220. Silk, raw and waste.
221. Silk fabrics.
222. Silverware.
223. Skins.
224. Smokers' articles.
225. Soap.
226. Spices.
227. Sporting goods.
228. Sportswear.
229. Starch and starch products.
230. Steel, high carbon.
231. Steel, structural and alloyed.
232. Steel products.
233. Straw goods.
234. Sugar.
235. Talc.
236. Tanning materials.
237. Tape measures.
238. Tapioca and tapioca flour.
239. Tea.
240. Textile manufacturers' supplies.
241. Textile wastes (other than cotton or wool).
242. Textiles.
243. Thumb tacks.
244. Time switches.
245. Tin.
246. Tissue paper.
247. Tobacco.
248. Tools.
249. Toys.
250. Tracing paper.
251. Tragacanth.
225. Trimmings.
253. Typewriter ribbon fabrics.
254. Toiletries.
255. Trousers (men's).
256. Tung oil.
257. Tungsten.

LIST OF CLASSES OF IMPORTED COMMODITIES IMPORTED BY MEMBERS OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.—Continued

258. Underwear.
259. Undressed furs.
260. Upholstery fabrics.
261. Vanadium.
262. Vegetable oils.
263. Vitamin oils.
264. Watch and clock parts.
265. Watches and clocks.
266. Watchmakers' tools and supplies.
267. Water-soluble gums.
268. Wines and spirits.
269. Wire and wire products.
270. Wolframite ore.
271. Woodpulp.
272. Wool, raw and waste.
273. Woolens.
274. Worsteds.
275. Writing paper.
276. Yarns.
277. Zinc.

The CHAIRMAN. Mr. Sherwood, will you come forward, please?

STATEMENT OF ROBERT F. SHERWOOD, PRESIDENT, UNITED FELDSPAR & MINERALS CORP.

The CHAIRMAN. Mr. Sherwood, you may have a seat.

You may identify yourself for the record.

Mr. SHERWOOD. I am president of the United Feldspar & Minerals Corp.

The CHAIRMAN. Where is your business located, Mr. Sherwood?

Mr. SHERWOOD. We have plants in North Carolina and in Maine.

The CHAIRMAN. North Carolina and Maine?

Mr. SHERWOOD. Yes, sir.

The CHAIRMAN. All right, sir, you may proceed.

Mr. SHERWOOD. Feldspar and nepheline syenite are directly competitive materials used as a flux in ceramic manufacturing. Feldspar is produced in Arizona, California, Colorado, Connecticut, Georgia, Maine, Maryland, New Hampshire, New York, North Carolina, South Dakota, Texas, Virginia, and Wyoming.

Senator MILLIKIN. If I may interrupt, what is the material that feldspar is directly competitive with?

Mr. SHERWOOD. Nepheline syenite, and that is imported from Canada.

Senator MILLIKIN. Thank you.

Mr. SHERWOOD. Feldspar is a nonmetallic mineral and is an——

The CHAIRMAN. Is it imported from Canada alone?

Mr. SHERWOOD. Alone. That is the only place we know of where it is produced, except there is one spot in Russia where it may be being produced.

The CHAIRMAN. Thank you.

Mr. SHERWOOD. Feldspar is a nonmetallic mineral and is an essential ingredient, because it is a flux, in the manufacture of many ceramic products, including dinnerware, plumbing fixtures, tile, all types of glass, electrical porcelain, grinding wheels, and many others. When these products were first made in the United States on a commercial scale, the artisans were immigrants from Europe, and the raw materials were imported from Europe.

Feldspar was first mined in the United States about the year 1850 since which time it has become an important industry giving employment to a great many American workers. Because it is no longer necessary to import feldspar and other ceramic materials from Europe, the ceramic industries in the United States are now more

nearly able to compete with foreign made ware, and in doing so employ thousands of American people.

Feldspar is found in pegmatite dikes and in most instances is hand sorted so that the pure mineral may be separated from other contaminating minerals. It is usually found in remote and mountainous districts, and at many places the industry offers the sole opportunity for employment for people located within a radius of many miles.

In some localities farmers use their spare time to mine feldspar from their own lands, thereby augmenting their income materially as their production runs into considerable tonnage.

The figures are not yet available for the year 1950, but in 1949 a total of about 386,000 tons of ground feldspar, value at about $5,600,000 was shipped from grinding plants in the United States.

In the mining of feldspar, there are recovered as byproducts a number of stragetic and critical minerals which are now in short supply in the United States.

Included are beryl, the source of beryllium, mica, and such lithium minerals as amblygonite, spodumene, and lepidolite, to mention but a few.

Because of the high cost of recovery which would be involved, generally it would not pay to conduct mining operations for these important minerals alone, but the tonnage recovered through the mining of feldspar is considerable and vitally important to the defense of the United States.

It is therefore extremely important that the feldspar industry in this country be encouraged and be protected against foreign competition, which under a free-trade policy is capable of destroying it.

About 1935 Canadian Nepheline, Ltd.—that is the name of the company—started production of nepheline syenite in Ontario, Canada. Nepheline is a material very similar to feldspar, the principal difference being that nepheline contains about 25 percent more alumina—that is aluminum oxide—than feldspar.

At that time crude nepheline was admitted duty-free into the United States, but ground nepheline was assessed at 30 percent ad valorem. A subsidiary of the Canadian company built a grinding mill at Rochester, N. Y. Most of the imports were in crude form and were ground at Rochester before distribution to the consumers in the United States.

Senator MILLIKIN. It receives no treatment other than grinding?

Mr. SHERWOOD. Crushing, grinding, and it passes over magnetic separators to take out the iron-bearing minerals.

It is all dry.

Nepheline has not developed any new markets in the United States. It simply displaces feldspar in the markets developed by the domestic feldspar industry. This substitution is progressing at an alarming rate.

The Canadian company has a mountain of the raw material at its disposal. I have seen that mountain. Its principal operating costs—labor and power—are materially lower than the costs of the feldspar industry.

The United States now admits imports of ground nepheline duty-free as provided in the Geneva trade agreement. If this free-trade policy is continued, the Canadians obviously have it in their power to take over all of the markets from the domestic feldspar industry.

Senator MILLIKIN. Is that in agreement with Canada? How did they make that?

Mr. SHERWOOD. That is Canada only.

Senator MILLIKIN. Thank you.

Mr. SHERWOOD. After free trade was guaranteed by the Geneva agreement, the processing facilities were expanded in Canada and the grinding mill in Rochester was closed. Since this modern plant must have cost well over a half million dollars to build and equip, this fact of closing is itself potent evidence of the advantages of processing in Canada over processing in the United States.

Most of Canadian Nepheline's business has consisted of exports to the United States. The company has reported excellent profits which demonstrates that exports to the United States are sold well above cost.

Pottery grade nepheline, being ground finer than glass grade, costs more to produce than glass grade. Pottery grade nepheline is sold in the United States at prices directly competitive with pottery grade feldspar.

Glass grade nepheline commands a very substantial premium over glass grade feldspar because nepheline has a higher alumina content.

There is obviously a large margin of profit. This margin of profit means that the Canadians have it in their power to continue expansion of their processing facilities and take away the entire market from the domestic feldspar industry. The Canadians have already preempted a large part of the market and their share grows each year.

Unless the feldspar industry is given moderate tariff protection, the companies now in production will, one by one, be driven out of business by the competitive imports.

Farmers in some areas will lose an important source of supplemental income.

Miners in remote areas will have no alternative source of employment.

Finally, if the feldspar industry is destroyed, an important source of strategic and critical materials will be lost.

Senator MILLIKIN. Mr. Chairman, may I ask when Canada started the production of raw material?

Mr. SHERWOOD. Nepheline syenite in 1935.

Senator MILLIKIN. In 1935?

Mr. SHERWOOD. Yes, sir.

Senator MILLIKIN. It had not produced it before that time?

Mr. SHERWOOD. No; it had not been produced.

Senator MILLIKIN. During World War II we encouraged the production in this country of feldspar; did we not?

Mr. SHERWOOD. Oh, yes; yes, indeed, very much so, because as I mentioned, mica was in great demand at that time, and we are getting the same demand today. Mica is a byproduct with the feldspar industry.

Senator MILLIKIN. So if we allow the domestic industry to wither away, depending on Canadian imports, if something happened so we did not get Canadian imports we would get in a bad shape, or in a bad jam?

Mr. SHERWOOD. That is right.

Senator MILLIKIN. Where does your company operate?

Mr. SHERWOOD. We have plants in Maine and one in North Carolina.

The CHAIRMAN. Have you had the matter up with any of the departments that might be of help?

Mr. SHERWOOD. Yes, we have. I have talked to the Tariff Commission considerably, and we appeared a short time ago before the Committee on Reciprocity Information.

The Bureau of Mines works very well with us. We have a piece of property in Maine that contains beryl, and they spent the whole summer core drilling it to find out where the beryl was in the property, without having to mine a million tons to get a half ton of beryl. We know now.

Senator MILLIKIN. Beryl is on our critical or strategic list; isn't it?

Mr. SHERWOOD. Yes, it is; and it has been for a long while.

The CHAIRMAN. Do you have any further questions?

Senator MILLIKIN. No further questions.

The CHAIRMAN. Thank you very, very much, Mr. Sherwood.

Mr. Martin, will you come forward, please.

STATEMENT OF EDWIN G. MARTIN, ATTORNEY, APPEARING ON BEHALF OF THE UNITED STATES PRODUCERS OF FELDSPAR

The CHAIRMAN. Will you proceed to identify yourself, sir?

Mr. MARTIN. My name is Edwin G. Martin, and I am an attorney appearing on behalf of the United States producers of feldspar.

The CHAIRMAN. You were with the Tariff Commission?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. How long were you with the Commission, Mr. Martin?

Mr. MARTIN. I was in the Tariff Commission's Legal Division from February 1929 until July 1950.

The CHAIRMAN. Are you appearing for the feldspar industry today?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. MARTIN. The Tariff Act of 1930 gave the domestic feldspar producers the benefit of a 30-percent tariff on imports. This rate has been reduced by trade-agreement and court decisions until it now stands at zero.

The General Agreement on Tariffs and Trade (GATT) effectively precludes the industry from doing anything about this situation.

We ask that the law be amended, consistently with the trade-agreements program, to give the industry a practical chance to regain part of the protection originally granted by Congress.

The proponents of trade agreements claim that the program is carefully administered so as to continue reasonable protection for American industries. This claim is the basis for our conclusion that our proposal is consistent with the program.

We ask for a legislative reaffirmation of the principle of tariff protection and for restoration of a legal procedure to safeguard against destruction of protection in particular cases by administrative or judicial decisions regarding classification of imports. We need affirmative action. Defeat of the pending bill, H. R. 1612, will do us no good.

The CHAIRMAN. How did it happen you went from 30 percent to zero?

Mr. MARTIN. I will come to that in a moment.

The CHAIRMAN. You will come to that?

Mr. MARTIN. In a moment, sir.

The CHAIRMAN. All right.

Mr. MARTIN. The domestic feldspar industry is greatly concerned about imports of ground nepheline syenite—a product which is directly competitive with ground feldspar and which is being substituted for feldspar in increasingly large quantities. Ground nepheline is now imported free of duty.

Ground nepheline first entered the United States commerce about 1936 and was classified for duty as a manufactured mineral at 30 percent ad valorem under the same provision which applies to ground feldspar.

The trade agreement with Canada, effective January 1, 1939, provided for reduction of the rate on both ground feldspar and ground nepheline syenite to 15 percent ad valorem.

The negotiators evidently recognized the threat of increased competition at the 15 percent rate, and the agreement permitted the United States to increase the rate on ground nepheline if aggregate imports of crude and ground should exceed 50,000 tons annually.

The agreement specified ground nepheline as coming under paragraph 214 of the dutiable list of the Tariff Act. During the life of the Canadian agreement, a decision was handed down by the court making ground nepheline free of duty.

The administrators of the Trade Agreement Act seized on this opportunity to bind this item on the free list—without any reservation as to quantity—and then went another step and explicitly agreed to classify ground nepheline on the free list during the effective period of the agreement.

Senator MILLIKIN. If we are not coming to it, will you tell me what the court's theory was?

Mr. MARTIN. Yes; I am coming to that.

Senator MILLIKIN. All right.

Mr. MARTIN. Technically speaking, GATT did not transfer ground nepheline from the dutiable to the free list. What GATT did was to prevent the domestic industry from relitigating the question before the court. And the domestic industry is convinced that the decision was wrong.

This is how nepheline got on the free list:

Although domestic producers are not allowed to protest the tariff classification of a trade-agreement item, importers are free to do so. Importers protested the assessment of duty on ground nepheline, claiming it to be sand and, as such, duty-free, under paragraph 1775 of the Tariff Act.

Testimony was presented to the customs court that the material was used similarly to glass sand, and that it had the consistency of sand, although its chemical composition was quite different. Relying mainly on dictionary definitions, the court sustained the protest (4 Cust. Ct. 86, C. D. 293, decided in 1940.)

What the court held was that ground nepheline syenite was manufactured sand.

Senator MILLIKIN. What was the subsequent history of the litigation?

Mr. MARTIN. I am coming to that.

Senator MILLIKIN. All right.

Mr. MARTIN. That was the decision of the customs court, that it was free.

However, the Treasury Department instructed customs officers not to follow this decision for future importations, since it considered the decision to be erroneous (T. D. 50228). Importers again protested the assessment and the customs court followed the original ruling, again holding nepheline to be duty-free as sand (9 Cust. Ct. 170, C. D. 685, decided in 1942).

Still, there was evidently some difference of opinion among customs officers as to whether they should continue to assess the duty, and it was not until 1946 that the Treasury Department issued an instruction to customs officers that they should permit free entry under paragraph 1775 of the free list (T. D. 51462 (1)).

That was the key decision.

In commercial usage "sand" means quartz or silica. Nepheline syenite is valued primarily for its alumina content—about 24 percent—and its fluxing characteristics.

Sand is not a flux, and nepheline syenite is not sand. Yet, although the decision granting free entry is clearly erroneous, GAAT precludes the domestic industry from having the question reexamined. GATT rivets a free-trade policy on the feldspar industry.

Please note the unusual and far-reaching provision of GATT as it affects nepheline:

☞ NOTE.—The existing customs classification treatment of ground nepheline syenite as being provided for in paragraph 1775, Tariff Act of 1930, in accordance with the ruling announced in T. D. 51462 (1), shall be continued during the effective period of this agreement (schedule XX, item 1775).

Senator MILLIKIN. Is this in GATT, or is it in an agreement between Canada and the United States?

Mr. MARTIN. In GATT.

Senator MILLIKIN. In GATT itself?

Mr. MARTIN. It is a concession granted to Canada in GAAT.

Senator MILLIKIN. In agreement between Canada and the United States?

Mr. MARTIN. GATT is all one agreement.

Senator MILLIKIN. There is a difference of opinion on that.

Mr. MARTIN. I am sorry; we negotiated an individual concession with Canada and incorporated it into the general schedule of concessions.

Senator MILLIKIN. All right.

Mr. MARTIN. The above quota was from item 1775 of schedule XX of GATT.

After free trade was assured under the provisions of GATT, imports of ground nepheline, which had been 1,000 tons in 1946, increased to 7,000 tons in 1948, 18,000 tons in 1949, and 54,000 tons in 1950.

You will recall that GATT took effect at the beginning of 1948.

These imports have not developed any new markets. They simply displace ground feldspar in the markets developed by the domestic feldspar industry.

The feldspar industry recognizes that it will have to continue competing with imported nepheline syenite. It does not ask for an embargo or a prohibitive tariff. It asks only an opportunity to obtain a moderate rate of tariff protection to offset in part the ad-

vantages enjoyed by the Canadian producers. It would be satisfied with restoration of half the tariff protection originally provided by the Tariff Act of 1930, that is, the rate of 15 percent which applies to the tariff class under which ground nepheline should be assessed.

It must be borne in mind that, although vitally concerned about the protection intended by the tariff, the domestic feldspar industry was not a party to the litigation and had no opportunity to present its case to the court. By virtue of the court's decision, the industry has been deprived of tariff protection. By virtue of the GATT freeze, the industry is without any opportunity for effective recourse.

Senator MILLIKIN. Mr. Martin, as I recall it, under the maximum cuts authorized by our successive extensions of the Reciprocal Trade Act, the tariff could not be cut more than 75 percent of the original figure, could it?

Mr. MARTIN. Under the authority of the Trade Agreements Act it could not be cut more than 75 percent; that is correct, Senator.

Senator MILLIKIN. But our negotiators there cut it down to nothing?

Mr. MARTIN. Technically they did not. Technically the court, in a judicial proceeding, put the material on the free list, not the negotiators. The negotiators seized that status and froze it on the free list.

The CHAIRMAN. The court merely classified it as a nondutiable product.

Mr. MARTIN. That is what the court did, Senator. I do not use the word "merely" in that connection, but that is the correct statement.

The CHAIRMAN. I say that is what they did.

Mr. MARTIN. That is right.

The CHAIRMAN. They classified it as nondutiable, and GATT took advantage of that situation and froze it.

Mr. MARTIN. Yes, sir; that is right, Mr. Chairman.

The CHAIRMAN. All right, Mr. Martin, proceed.

Mr. MARTIN. The industry is now stymied.

The binding of the duty-free treatment effectively blocks any present effort of the industry to get relief. The principal cause of this is the provision of the Trade Agreements Act which denies to domestic producers an opportunity to obtain a judicial review of customs classifications which they consider to be in error.

This country has historically maintained a system of judicial review of administrative decisions regarding the amount of duties payable on imports. The theory is, of course, that customs officers should collect no more and no less than the law prescribes, and that the courts should be the final arbiters in interpreting the law.

The system was originally established for the primary purpose of enabling importers to recover excessive assessments.

After the principle of tariff protection had been generally accepted as a proper Government function, the Congress recognized that the domestic producers whom the tariff was intended to protect had a vital interest in the assessment of the proper rates. If, for example, too low a rate was assessed, the degree of protection intended by Congress would be nullified.

Accordingly, in the Tariff Act of 1922 the Congress established a definite procedure by which American manufacturers, producers, and

wholesalers could protest decisions of customs officers which they considered to result in assessment of lower duties than the law prescribed and have such protests decided by the court. This procedure was continued in the Tariff Act of 1930—section 516 (b).

On June 4, 1934, when the Trade Agreements Act was under consideration in the Senate, an amendment was adopted on the floor stipulating that the provisions of section 516 (b) of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded under the Act. (See sec. 2 (a) of the Trade Agreements Act.)

You say that went in on the floor?

Mr. MARTIN. Yes, Mr. Chairman, there was not any mention of it in the hearings before this committee or the Ways and Means Committee; there was not any mention of it in the committee reports. This was an amendment on the floor. As I recall it, it was just shortly before the bill came up for final vote in the Senate.

The CHAIRMAN. Do you remember whether it was offered by someone representing the Administration?

Mr. MARTIN. It was offered by the chairman of this committee.

The CHAIRMAN. Senator Harrison at that time?

Mr. MARTIN. Yes, Mr. Chairman.

The CHAIRMAN. Well, he did not get it out of the air, did he?

Mr. MARTIN. No, Mr. Chairman, I am sure he did not, because it was a very technical subject.

The CHAIRMAN. Yes, I know, We all loved Senator Harrison very much. All right.

Mr. MARTIN. Yes, sir.

The CHAIRMAN. That has been in since the act of 1934, has it, since the original act?

Mr. MARTIN. Yes, Mr. Chairman.

The CHAIRMAN. Was anything said by way of explanation? I suppose the theory of it is——

Mr. MARTIN. I will come to that in a moment, Mr. Chairman.

The CHAIRMAN. You do? All right, excuse me.

Mr. MARTIN. This particular problem had not been referred to in the 1934 hearings or committee reports. Furthermore, the discussions on the floor were not too lucid as to the effect of the amendment. (See Congressional Record, Vol. 78, pt. 10, p. 10391.) The matter was more fully discussed at the Finance Committee hearings on the 1937 renewal of the Trade Agreements Program. (See pp. 79–81 of the hearings.)

May I interpolate there: I have an excerpt from the hearings here. I can give you the gist of the consideration very briefly, but if you wish me to read the whole three-page excerpt, I can do it.

The CHAIRMAN. No, just the gist of it. I presume that the negotiation was carried on on the basis of the code interpretation or whatever interpretation had been made or whatever regulation had been made.

Mr. MARTIN. No, Senator; no, Mr. Chairman. Essentially the justification given by Mr. Sayre, then Assistant Secretary of State, for suspending section 516 (b) with respect to trade agreement articles was that this section had been used by domestic interests to harass importers—that unwarranted delay had been caused in the liquidation

of thousands of entries, and that very few of the producer's complaints had been sustained by the courts. That is boiled down from three pages in the record, but that is the gist of the whole argument. Senator Vandenberg at that time had them read some of the statements that Senator Harrison had made, and Senator Hebert, about taking away the right of the American producer to protection through this method.

The Congress considered the objections to the application of section 516 (b) to be well founded, but that the basic principle of the section was sound. The Congress retained the law but amended it by providing that no liquidations should be suspended until the domestic producer had convinced the court that a higher duty should be imposed. Pending such decision by the court, entries were to be liquidated at the lower rate.

In other words, in 1938 the Congress enacted that until the domestic producer won his case in court, imports should be cleared without regard to the suit. (See sec. 17 (a) of the Customs Administrative Act of 1938, 52 Stat. 1084.)

Although the 1938 law retained the principle of American producer's protests on items not covered by trade agreements, the provision is now, for practical purposes, almost a nullity because almost all imports are covered by trade agreements and the Trade Agreements Act still prevents use of section 516 (b) for all such products.

The most important aspect of the 1938 law is that it swept away the excuse for denying American producers the opportunity to litigate on trade agreement items. That excuse was that the litigation caused an unwarranted delay in liquidating entries. Under present law, entries are liquidated at the lower rates until the court says a proper application of the tariff requires a higher rate. Will anyone contend that, under our system, the courts should not be the final interpreters of the laws? The courts are still functioning to review the claims of importers but not of domestic producers although the reason for denying our own producers—namely, delay to importers—has long ceased to exist. Under this situation it is clearly unjust to continue to deny the feldspar industry an opportuntiy to challenge a decision which erroneously deprives it of any tariff protection.

In the earlier discussions of this problem, spokesmen espousing the principle of protection referred to the "right" to litigate. Proponents of the Trade Agreements program referred to it as a "privilege." I submit it is immaterial whether we call it a "right" or a "privilege." Our judgment should be based on an analysis of the problem rather than on the name for it selected by one side or the other.

An industry can lose its protection just as effectively from a decision allowing imports at a lower rate as from a Presidential proclamation reducing the rate. An opportunity to present his case to the court is just as important to the producer as an opportunity to present it to the President. The fact that the court is exercising judicial power and the President quasi-legislative power is not material. Both the court and the President were granted their powers in this particular by the Congress. Either power can—and does—operate to reduce protection. It is entirely fit and just that the Congress should prescribe the procedures under which these delegated powers are to be exercised.

All agree on the propriety of granting the producer an opportunity to present his case to the President before any decision is made to reduce the tariff under the Trade Agreements Act. All agree on the propriety of granting the producer an opportunity to present his complaint to the Tariff Commission, under the escape clause, that he has been injured by a tariff reduction. For what reason should he be denied an opportunity to present his case in opposition to a judicial decision which has reduced his protection? The only reason heretofore given has lost its validity by virtue of the Customs Administrative Act of 1938.

The producer has his "day in court" before the President reduces his protection. The Congress has forbidden the President to transfer articles from the dutiable list to the free list. Yet in our case the court has transferred the article from the dutiable list to the free list and the President has "bound" it there and yet the producer cannot protest.

It has been argued, in opposition to the producer's right to litigate, that no one has a legal right to the maintenance of any particular rate of duty, citing *Norwegian Nitrogen Company* v. *United States* (288 U. S. 294). This principle was established in a case overruling an importer's protest against an increase in the tariff, but no one has suggested it should be a reason to deny the importer a right to judicial review of justiciable questions. Neither is it a reason for denying the producer a right to review. It might be used as a legal argument against the principle of tariff protection, but we do not understand that the proponents of trade agreements either claim or admit opposition to that principle. Certainly it is not a legitimate reason for denying the producer his day in court.

It is submitted that an opportunity to contest judicial or administrative decisions which classify imports at too low a rate of duty is just as important to the protective tariff principle as an opportunity to appear before the Committee for Reciprocity Information or the Tariff Commission. It is no more a special privilege than the protective tariff itself. And while many Americans may differ as to the proper rates of protection for various articles, we firmly believe that the great majority endorse the principle of protection.

We ask that Congress restore to American producers the opportunity to litigate the classification of articles covered by trade agreements. This will require amendment of section 2 (a) of the Trade Agreements Act and repeal of section 17 (c) of the Customs Administrative Act of 1938.

We also ask that Congress legislate to improve the chances of successful action under the escape clause. The Congress should let the Administrators know that it endorses the principle of reasonable tariff protection. The provisions of the House bill, with the clarifying amendments indicated on the attached sheet, would accomplish these ends.

If I may take a moment to explain those amendments, they are quite simple. The first amendment is to insert on page 6, line 13, after the word "section," the words "or in article XIX of the General Agreement on Tariffs and Trade."

The House bill requires the Tariff Commission to make an investigation of every application under the escape clause, if there is in the

particular agreement an escape clause similar to that set forth in section 7 (a) of the bill.

Well, the difficulty, as I see it, is that no agreement contains an escape clause similar to that clause. Section 7 (a) of the bill purports to rewrite the escape clause and makes material changes. So the provision in the House bill that the Tariff Commission must make investigations on application would have no effect, no vitality, at least until agreements were changed to make their clauses similar to that provided in section 7 (a) of the bill. So we want to have the Congress require that investigations must be made where there is a clause similar to that provided in article XIX of GATT. That is purely a technical amendment. I do not believe that the House bill was intended to exclude GATT, but I am afraid under the language it employs that GATT would not be covered.

The second amendment we suggest is on page 7, line 10, after the word "facts" insert, "and reasons."

The House bill requires that when the Tariff Commission decides there is not a cause for withdrawing concessions, the Commission must make a finding that there has been no injury caused or threatened, and set forth the facts which lead to that finding.

Well, I do not think that the Commission's recital of what the import statistics were, and the production statistics, and what not, would be very satisfying. Those are public knowledge anyhow.

What we think is important is that the Commission should state its analysis, how it come to its conclusion that there is no injury.

After all, you have had an industry feeling badly enough about it to go through the trouble of bringing an escape-clause action, and we feel that when the industry is thrown out, as it were, after investigation, it should know why, not just what the statistics are, but the rationale that went into the Commission's findings.

I might note that my original reading of this provision in the House bill led me to believe that this finding was intended to be a public finding. But, on further looking at it, I am not sure that it requires that. It might be desirable to put the word "public" in that provision, requiring the Commission to make public a finding and the statement of its reasons.

Now, on page 7, line 14, after the word "shall" we want to insert the words "without excluding other factors."

This comes in the context where the House bill gives criteria or evidentiary factors to form the basis for the finding of injury.

Well, factors set forth in the bill might be adequate for some industries. We are satisfied they are not adequate for the feldspar industry. We do not believe they would be adequate for a great many American industries.

On the other hand, we feel that the situations of trade among the divers industries in the country are so varied that we are not competent to write a set of criteria which would be satisfactory for all industries. All we ask is that Congress make clear that these factors set forth in the bill are not the whole story on the question of injury. They might be in a particular case; but we would not like to have a feldspar case thrown out because we have not had a loss of sales and a growing inventory due to trade agreement. If we lose sales in the feldspar industry, we curtail production; we do not pile up a great deal of inventory offhand.

What I am saying is that the criteria of the bill are not adequate for American industry generally, and we ask that the bill be made clear that they are not intended to be exclusive.

Now, finally, we propose a new section to delete from section 2 (a) of the Trade Agreements Act the words "and 516 (b)."

And a companion provision repealing section 17 (c) of the Customs Administrative Act.

We are not asking that the Congress repeal the reforms in procedure under the American producers' protests that were made in 1938. In fact, that reform is the basis for our case, asking that the right of appeal be restored. But section 17 (c) of that bill was a restatement of the prohibition against the use of American producers' protests.

Some people in the administration thought that the 1934 law was not quite adequate from a technical point of view, so they asked Congress to restate it in the Customs Administrative Act to confirm the administrative interpretation that had been put on the law. If we just amend section 2 (a) of the Trade Agreements Act, and leave section 17 (c) of the Customs Administrative Act on the books, we have gained nothing, or vice versa.

We have got to act on both sections. If we leave either prohibition in force, American producers are still out of court.

That completes my prepared statement, Mr. Chairman. If there are any questions I would be very happy to answer them.

The CHAIRMAN. What kind of a remedy does the producer try to pursue if, as in this case, he has lost all of his protection? Can he go to the Treasury? Do they have any authority?

Mr. MARTIN. The Treasury will not listen to the producer under the present situation, Mr. Chairman. The GATT is perfectly plain. As long as that concession is in force, the administrative branch of the Government is committed to classify this duty free as sand. The Treasury will not listen to anybody who says the decision is wrong.

Under the present law, the first step that the industry has got to achieve is to get that trade-agreement concession terminated in some way or another. If the free-list concession on nepheline syenite is terminated, then the producer can go to the Treasury and try to convince them that they should change the practice; that they should again assess a tariff on imports.

The CHAIRMAN. Does this trouble often arise by the producers, do they often find themselves in this sort of a situation, not precisely like yours, but because of their inability to go into the courts, because they are denied the right to go into the courts, are they——

Mr. MARTIN. I do not believe there are a great many cases in this class, Senator. I do not mean free list versus dutiable, one duty versus another.

The CHAIRMAN. Yes.

Mr. MARTIN. I do not believe there are a great many. There are undoubtedly some other cases; I cannot believe this is the only one that exists.

The CHAIRMAN. I think I have some recollection of some effort on the part of the watch producers in regard to watch works—the works have a certain duty, and then in addition another duty for each adjustment made that has been a matter in controversy.

Mr. MARTIN. Yes; it has been in controversy. I do not know whether the producers wanted to file litigation on the subject.

The CHAIRMAN. Well, they say they cannot.

Mr. MARTIN. They cannot now, not with watches covered by trade agreements.

The CHAIRMAN. That is what I say. So far as being excluded from their courts, they seem to stand in the same shape as the feldspar people. They claim that several different adjustments have been made with the works, but they have been made by machines, or some such contention as that. At any rate, they say their only recourse is to get the Treasury to change its ruling.

Mr. MARTIN. That is so under the present law, clearly.

The CHAIRMAN. Yes. They cannot go into court because of the trade agreement.

Mr. MARTIN. That is correct.

The CHAIRMAN. Any questions, Senator Millikin?

Senator MILLIKIN. No, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. MARTIN. Thank you very kindly, Mr. Chairman.

The CHAIRMAN. We were very glad to have you, sir.

Mr. Sanders? Mr. J. T. Sanders? Is Mr. Sanders in the room?

(No response.)

The CHAIRMAN. Mr. Sherlock Davis. Mr. Davis, you may come around, please, sir.

Will you identify yourself for the record, please.

STATEMENT OF SHERLOCK DAVIS, GENERAL COUNSEL, UNITED STATES CUBAN SUGAR COUNCIL

Mr. Davis. My name is Sherlock Davis. I am general counsel of the United States Cuban Sugar Council, having its principal office at 30 Pine Street, New York City.

Mr. Chairman, I gather from the communication which I have received from the committee that the statement which I have prepared and which has been submitted to the committee may be placed in the record, and that in the interest of conserving the time of the committee, I may just touch upon the more important points in the statement.

The CHAIRMAN. You may do so if you wish to.

Mr. DAVIS. Thank you, sir.

The CHAIRMAN. You may furnish the reporter with a copy of your statement.

Mr. DAVIS. Yes, I think he has it.

The United States Cuban Sugar Council again strongly urges, as it did before this committee in June 1948, and February 1949, and before the Ways and Means Committee of the House of Representatives in January of this year, that the Reciprocal Trade Agreements Act be extended. The council recommends extension for a period of at least 3 years and without amendments to the present law that might hamper or restrict the President in the administration of the trade-agreements program which has proven highly beneficial to the citizens of the United States.

A copy of the council's statement made in January 1951 to the House Ways and Means Committee is submitted herewith,

Promoting the development of trade between the United States and Cuba is a major objective of the United States Cuban Sugar Council.

The council is composed of a group of companies, the names of which are listed at the end hereof, owning or operating sugar properties in Cuba, the stockholders of which are predominantly United States citizens. These companies account for about one-half of the sugar produced in Cuba.

We believe that the trade-agreement program has been a major factor in expanded commerce with Cuba. The trade agreement with Cuba, which became effective in 1934, was the first entered into by this country under the Reciprocal Trade Agreements Act. From 1934 to 1949 the value of United States exports to Cuba increased about 8 times and imports from Cuba 4.5 times. During the same period the value of United States exports to all countries rose only about 5.6 times and imports 3.9 times.

Senator MILLIKIN. Insofar as imports are concerned, into this country, are you including sugar in those figures?

Mr. DAVIS. Yes, Senator.

During the period 1934 to 1941 the operation of a highly restrictive United States quota on the importation of sugar from Cuba prevented this country from realizing the full benefits that otherwise might have been obtained from its trade agreement with Cuba. In spite of the adverse effect of the low quota for Cuban sugar, United States exports to Cuba during 1934–41 averaged 63 percent larger than in 1930–33. Imports from Cuba increased 45 percent.

When the United States suspended quotas in 1942 to obtain from Cuba the greatly increased supply of vitally needed sugar not available anywhere else, a further and much larger expansion of trade between the two countries took place.

The Value of United States sales to Cuba rose sharply because the large increase in imports of sugar from Cuba following suspension of quotas greatly expanded Cuba's purchasing power. The value of United States sales to Cuba reached a peak of $492,000,000 in 1947, the last year before quotas were reimposed.

In this connection it seems important to emphasize that in both World Wars and again in the emergency following the outbreak of hostilities in Korea this country's need for sugar increased greatly. In all three emergencies Cuba was the only source which furnished this country with substantially larger quantities of sugar.

Not only did sugar from Cuba avert shortages in this country in World War II and again last summer, but in addition this sugar was sold to the United States at prices substantially below the then world market prices.

In our view the need for reciprocal trade agreements is heightened by the existing international situation.

The present international tensions vastly increase the need for effective cooperation among all free peoples. One of the most effective ways for the United States to cooperate is by expanding and strengthening the trade-agreements program.

Increased international trade in such commodities as sugar, tin, manganese, coffee, and newsprint, which cannot be produced in sufficient quantities in this country, is necessary if the expanded production needed to make the present mobilization effort effective is to be achieved.

Moreover, failure to extend the Reciprocal Trade Agreements Act or extension with the addition of crippling amendments would need-

lessly undermine the confidence of other nations in this country's good faith and hamper their ability to cooperate in the common defense effort.

The Reciprocal Trade Agreements Act in our opinion in substantially its——

Senator MILLIKIN. May I remind the witness that the peril point was in effect for several years, and that there is not the slightest evidence that it produced any dislocation in our international affairs.

Mr. DAVIS. Senator, I am well aware that the peril point was in effect. On that subject, I do not think I have anything to add to the testimony of the Secretary of State or the Secretary of Agriculture. I would be happy, if the committee so cared, to offer for the record two editorials from the New York Times on that subject, which I do not think I can improve upon in oral testimony.

The CHAIRMAN. Are they included in your brief?

Mr. DAVIS. No, sir; they are not.

Senator MILLIKIN. Would you challenge the statement that I have just made to you that we had the peril point in effect, and that there is not the slightest evidence that it destroyed confidence in the rest of the world in the United States or that it had any important diplomatic repercussions?

Mr. DAVIS. No, sir; I would not challenge that statement, and I do not so mean to indicate. I meant that an abandonment of the Reciprocal Trade Agreements Act, as such, or amendments that would cripple it—and the committee has heard testimony, sir, that the peril point amendment would render administration extremely cumbersome, and some of the other amendments which were introduced in the House and enacted in the House, would also present administrative difficulties—I hesitate to qualify myself as an expert on that subject, having nothing to do with the administration of the bill.

Senator MILLIKIN. So that you pass that part of the subject. You have no testimony on that, other than, I take it, that you have the general sense of approval of the statements which have been made by representatives of the administration.

Mr. DAVIS. Well, that is true, sir. I could expand, if the committee wishes, with respect to my views on that subject. I do not think they add materially to the testimony which has already been heard.

The CHAIRMAN. All right, sir.

Senator MILLIKIN. All right.

Mr. DAVIS. The Reciprocal Trade Agreement Act, in our opinion, in substantially its present form has functioned successfully for 17 years without serious injury to anyone and to the great benefit of the people of the United States. Amendments which would hamper the executive branch in administering the act are undesirable because they would tend to restrict the benefits that could otherwise be obtained from the legislation.

I have already commented, in response to Senator Millikin's question, on the peril points, and with respect to the amendment which would limit concessions on foreign agricultural products coming into competition with price-supported commodities, I should merely like to say, in general, I agree with the three points made by the Secretary of Agriculture as to the undesirability of that amendment.

It might be well merely to add that the amendment certainly can only have the effect of increasing prices for those commodities at a time when there is no indication of the need for additional relief for the farmer who produces them, and when there is considerable indication that antiinflationary measures would be in the public interest.

Senator MILLIKIN. As far as your particular interest here is concerned, I take it that is the sugar situation?

Mr. DAVIS. Yes, sir.

Senator MILLIKIN. And the sugar situation is controlled by the Sugar Act?

Mr. DAVIS. Yes, sir.

Senator MILLIKIN. Yes.

Mr. DAVIS. My interest is in the sugar situation, and in its bearing upon the trade between the United States and Cuba.

Senator MILLIKIN. Well, the amount of money provided to Cuba, for example, because of the operation of the Sugar Act, is something that, in part, goes into international trade; a considerable part of it comes here. But so far as quotas are concerned, the amount of sugar that you sell and that sort of thing, that is tied up with the Sugar Act.

Mr. DAVIS. That I shall point out.

Senator MILLIKIN. And not the Reciprocal Trade Agreements Act.

Mr. DAVIS. That is entirely true, sir, up to the point——

Senator MILLIKIN. I mean, tariffs no longer have any significance in the question.

Mr. DAVIS. The present level of tariff, of course, does not control the amount of sugar that comes into this country, but a higher tariff could reduce that amount, as has been clearly illustrated by the history of earlier tariffs.

Senator MILLIKIN. Well, it was the history of earlier tariffs that led us into the Sugar Act which, at least so far, has taken away the criticisms that inhered in the earlier rates of duties.

Mr. DAVIS. Well, I was going to address myself to that subject, sir, if I may, briefly.

Senator MILLIKIN. All right.

Mr. DAVIS. A fallacious argument occasionally advanced is that reductions in the United States tariff rate on sugar from Cuba have been of no benefit to this country but have merely deprived the United States Treasury of revenue it otherwise would have received. That suggestion was made in the Ways and Means Committee this year.

The Reciprocal Trade Agreement under which this country has reduced its tariff rate on sugar from Cuba also contains a broad schedule of tariff concessions by Cuba on commodities imported from the United States.

For instance, in the General Agreement on Tariffs and Trade, United States-Cuban negotiations resulted in Cuba lowering its duties on 128 items imported from this country, binding or freezing the duties on 330 items, exempting 479 of 492 items from payment of a World War II emergency surtax of 20 percent on duties and reducing from 10 to 3 percent a public works surtax on the duties on a few items. All these were in addition to numerous concessions granted in the original trade agreements in 1934 and amendments to that agreement.

These concessions by Cuba have been of major importance in the expansion of this country's exports to Cuba.

In addition, the lower import duty on sugar from Cuba has increased Cuban purchasing power for United States goods. About three-fourths of Cuba's exports come to the United States and sugar constitutes about three-fourths of these. Consequently, receipts from the sale of sugar here are the principal source of Cuba's purchasing power. About three-fourths of all Cuba's imports come from the United States.

While the United States quota for Cuban sugar determines the quantity which enters the United States market at the present tariff rate, this would not necessarily be true at higher rates.

When I speak of the quota, of course, I refer to the quota under the Sugar Act of 1948.

For instance, when the rate was 2 cents per pound in the early 1930's, the quantity of sugar imported from Cuba declined drastically and in 1933 was lower than at any time under the quota system.

Senator MILLIKIN. We had a general depression then, too.

Mr. DAVIS. That is quite true, under the Tariff Act of 1930.

Senator MILLIKIN. You will find the fluctuations of trade in the United States and of the world fits right in with the general state of prosperity here and in the world.

Mr. DAVIS. Yes, sir.

As with all trade barriers, the cost of this excessively high tariff was borne by the United States consumer.

Tax receipts of the United States Government from Cuban sugar in 1933, the last year before imposition of sugar quotas, amounted to about $63,000,000. This sum came from the tariff of 2 cents per pound on sugar from Cuba.

United States Government receipts from Cuban sugar in 1950, with Sugar Act quotas in effect, amounted to approximately $65,-000,000 of which half came from the tariff at the rate of one-half cent per pound and half from the excise tax at the same rate. The excise tax on Cuban sugar has the same effect as a tariff on the receipts of the United States Treasury and the economy of Cuba.

Any possible reduction in the Treasury receipts from the import duty on Cuban sugar has been more than made up by the benefits received by the United States public. These benefits, in the form of increased business and income for the people in this country, have yielded increased receipts to the United States Treasury.

Senator MILLIKIN. You do not know of any serious movement to increase the tariff on Cuban sugar?

Mr. DAVIS. No, sir; I do not.

In conclusion, let me say that the Reciprocal Trade Agreements Act has been of major importance in expanding the foreign trade of the United States during the last 17 years, as has been demonstrated by the increases in trade which followed the agreement with Cuba.

Under present international conditions further increases——

Senator MILLIKIN. May I invite your attention, please, to the fact that with the exception of the Cuban agreement, I think there were only two other agreements prior to 1939 or 1940, when we commenced to increase our trade by all odds because of World War II, when we were supplying later allies before we got in, and, of course, after we got in, and I invite your attention to the fact that after World War II we were overcoming grave obsolescences in this country,

and we were also embarking on various schemes of aid to foreign countries which enabled them to purchase things here which they would not have otherwise purchased.

May I invite your attention that we are now embarking upon another war program which also will swell our economy with dollars which have lost considerable value already.

Mr. DAVIS. I entirely agree with your comments, Senator. I suppose from the testimony I have heard here that reasonable minds can differ quite widely on the extent to which our foreign-aid programs are the sole reasons for expanded trade with respect to certain commodities, and with respect to certain countries.

What I mean to indicate is this: We were told that the purpose of those programs was to get the economies of the European recovery-plan countries back into a normal scheme of functioning as rapidly as possible.

We were told that the principal obstacle to a normal functioning of the international mercantile system was primarily one of currency shortage or shortages of foreign exchange, and the programs of foreign aid were designed, I believe, to tide over an emergency, which would enable the wheels to start going again, and to permit the accumulation of foreign exchange which would return these countries to normal trading as rapidly as possible.

I believe that there is some indication that vast strides have been made in that direction. I believe the United Kingdom is an example in point, their dollar balances having increased importantly.

Senator MILLIKIN. Yes; but we wanted something more out of that. Of course, we wanted to help the cause of peace; we wanted to strengthen them and put them in a position so that they would be strong allies if we needed strong allies.

Mr. DAVIS. Exactly; that was the ultimate objective; yes, sir.

Senator MILLIKIN. Also there was something else that we wanted that we have not even commenced to approximate, the ideal and the purpose; we wanted to get rid of trade barriers. Trade barriers have multiplied among those countries. We wanted to unify the currencies of Western Europe. We wanted to bring down their own tariff barriers in Western Europe, and they have not been brought down significantly.

We wanted to encourage the ending of isolationisms over there whereby each country would try to maintain a full war-industry potential, the result of which means unmanageable surpluses the result of unmanageable surplus is that we have to take the brunt of that.

There were a number of things in our minds when we embarked upon that aid program. But regardless of the motive, I do not think it would be denied, whether it be money exchange or defense, whether it be trade advantages, whatever it may be, I do not believe it would be denied that those foreign-aid programs have enormously stimulated our exports. We gave them the money so that they could get food and goods from us and they got the goods from us.

If it did not produce that effect, then indeed we have been off on a very twisted sort of a project.

Mr. DAVIS. I could not be in more complete agreement, Senator. I think, however, that we must interpret somewhat carefully the increase in trade barriers. I myself do not have a compilation nor

have I seen a satisfactory compilation of the multiplicity of new trade barriers which I have been told have come into effect. That many have, I have no doubt, because of the foreign exchange situation.

Senator MILLIKIN. We have gone into it with extreme care and extreme thoroughness. As of a few years ago we had a record of all of the money controls that have been put up; we have a record of all of the import and export license restrictions that have been put up. We had a complete report at that time of more than 250—I think over 300—bilateral agreements, all restrictive of trade.

Mr. DAVIS. Am I not correct in my impression, Senator, that within the last 2 years there has been a substantial relaxation of many of those barriers which had been erected?

Senator MILLIKIN. Let us assume that there has been a relaxation. I doubt if you will find that there has been a substantial relaxation.

The CHAIRMAN. All right, sir.

Mr. DAVIS. In conclusion, I merely want to say, if I may, Mr. Chairman, that in the opinion of my council, the existing law should not be amended in any way which would hamper the executive branch in administering the trade agreements program. The success of the program over the last 17 years clearly demonstrates that present safeguards are sufficient to protect the legitimate interests of all groups of producers in this country.

For all these reasons, the council strongly recommends the extension of the Reciprocal Trade Agreements Act without crippling amendments.

The CHAIRMAN. We thank you, sir, for your appearance.

Senator MILLIKIN. Mr. Chairman, may I make one observation? I am going to introduce an amendment to this bill forbidding the use of the words "crippling amendments."

[Laughter.]

Mr. DAVIS. Thank you, sir.

The CHAIRMAN. All right, Mr. Davis, your full statement will be included in the record at this point.

(The statement in full of Mr. Davis is as follows:)

STATEMENT BY SHERLOCK DAVIS, GENERAL COUNSEL, UNITED STATES CUBAN SUGAR COUNCIL TO FINANCE COMMITTEE, UNITED STATES SENATE

THREE-YEAR EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT RECOMMENDED

The United States Cuban Sugar Council again strongly urges, as it did before this committee in June 1948, and February 1949, and before the Ways and Means Committee of the House of Representatives in January of this year, that the Reciprocal Trade Agreements Act be extended. The council recommends extension for a period of at least 3 years and without amendments to the present law that might hamper or restrict the President in the administration of the trade agreements program which has proven highly beneficial to the United States.

A copy of the council's statement made in January 1951, to the House Ways and Means Committee is attached.

Promoting the development of trade between the United States and Cuba is a major objective of the United States Cuban Sugar Council. The council is composed of a group of companies, the names of which are listed at the end hereof, owning or operating sugar properties in Cuba, the stockholders of which are predominantly United States citizens. These companies account for about one-half of the sugar produced in Cuba.

TRADE AGREEMENT MAJOR FACTOR IN EXPANDED COMMERCE WITH CUBA

The trade agreement with Cuba, which became effective in 1934, was the first entered into by this country under the Reciprocal Trade Agreements Act. From

1934 to 1949 the value of United States exports to Cuba increased about eight times and imports from Cuba 4.5 times. During the same period the value of United States exports to all countries rose only about 5.6 times and imports 3.9 times.

During the period 1934 to 1941 the operation of a highly restrictive United States quota on the importation of sugar from Cuba prevented this country from realizing the full benefits that otherwise might have been obtained from its trade agreement with Cuba. In spite of the adverse effect of the low quota for Cuban sugar, United States exports to Cuba during 1934–41 averaged 63 percent larger than in 1930–33. Imports from Cuba increased 45 percent.

When the United States suspended quotas in 1942 to obtain from Cuba the greatly increased supply of vitally needed sugar not available anywhere else, a further and much larger expansion of trade between the two countries took place.

United States sales to Cuba rose sharply because the large increase in imports of sugar from Cuba following suspension of quotas greatly expanded Cuba's purchasing power. The value of United States sales to Cuba reached a peak of $492,000,000 in 1947, the last year before quotas were reimposed.

CUBAN SUGAR PROTECTS UNITED STATES CONSUMERS

In both World Wars and again in the emergency following the outbreak of hostilities in Korea this country's need for sugar increased greatly. In all three emergencies Cuba was the only source which furnished this country any substantially larger quantities of sugar.

Not only did sugar from Cuba avert shortages in this country in World War II and again last summer, this sugar was sold to the United States at prices substantially below the then world market prices.

There is no foundation whatever for the claim occasionally made that Cuban sugar producers were responsible for the high price of sugar in this country in 1920. United States imports of Cuban sugar in 1920 amounted to about 2,870,000 tons, 1,113,000 tons more than the annual average for 1910–13. Consumption in the United States in 1920 was only 716,000 tons larger than the 1910–13 average. Had not shipments of Cuban sugar to this country increased so greatly, prices of sugar here would have been even higher.

Moreover, foreseeing the danger of run-away prices, Cuban producers offered in July 1919, to sell to the United States Government their 1920 crop at "a price moderate, but compensating to the producer and well within the economic reach of the consumer." The offer was not accepted by the United States Government. Sugar prices in the United States, which were stabilized at 8.82 cents a pound, wholesale, from September 9, 1918, to December 20, 1919, began to advance rapidly following the end of Government price stabilization on December 20. The higher monthly average prices of 10.92 cents in December 1919, and 14.82 cents in January 1920, were of no benefit to sugar producers in Cuba because their 1919 crop had been sold to the United States Government at a fixed price and the grinding of their 1920 crop did not begin until sometime in January. The chief beneficiaries of the rise in prices immediately following the end of price stabilization were the producers of cane and beet sugar in continental United States.

NEED HEIGHTENED BY INTERNATIONAL SITUATION

The present international tensions vastly increase the need for effective cooperation among all free peoples. One of the most effective ways for the United States to cooperate is by expanding and strengthening the trade agreements program.

Increased international trade in such commodities as sugar, tin, manganese, coffee, and newsprint, which cannot be produced in sufficient quantities in this country, is necessary if the expanded production needed to make the present mobilization effort effective is to be achieved.

Failure to extend the Reciprocal Trade Agreements Act or extension with the addition of crippling amendments would needlessly undermine the confidence of other nations in this country's good faith and hamper their ability to cooperate in the common defense effort.

RESTRICTIVE AMENDMENTS UNNECESSARY

The Reciprocal Trade Agreements Act in substantially its present form has functioned successfully for 17 years without serious injury to anyone and to the great benefit of the people of the United States. Amendments which would

hamper the executive branch in administering the act are undesirable because they would tend to restrict the benefits that could otherwise be obtained from the legislation.

For instance, the proposed amendment establishing peril points to be determined by the Tariff Commission would complicate and perhaps delay the negotiations of new agreements. The Tariff Commission is now represented on the groups responsible for carrying on negotiations so the information and judgment of the Commission is continually available. Separate hearings and separate findings by the Tariff Commission would merely make proceedings more cumbersome without increasing the amount of information on which decisions are ultimately based.

Most existing trade agreements contain an escape clause in case of injury or threat of injury to a domestic industry from imports of any commodity and such a clause must be included in any new agreement. The existing procedure has provided a channel through which relief has been obtained when evidence of injury was sufficient. The proposed amendment concerning escape clauses, consequently, appears unnecessary.

Another amendment to the bill by the House of Representatives provides that concessions on foreign farm products coming into competition with price-supported commodities shall not apply unless the foreign product is to be sold above the support price. If enacted into law, the effect of this provision could only be to increase the cost of living in this country at a time when the economy already is seriously endangered by rising prices. Agriculture in the United States is now in one of its most prosperous periods in history. It does not need any further legislation to increase prices to already overburdened consumers.

BENEFITS OF EXPANDED TRADE GREATLY EXCEED ANY EFFECT ON CUSTOMS RECEIPTS

A fallacious argument occasionally advanced is that reductions in the United States tariff rate on sugar from Cuba have been of no benefit to this country but have merely deprived the United States Treasury of revenue it otherwise would have received.

The reciprocal trade agreement under which this country has reduced its tariff rate on sugar from Cuba also contains a broad schedule of tariff concessions by Cuba on commodities imported from the United States.

For instance, in the General Agreement on Tariffs and Trade, United States-Cuban negotiations resulted in Cuba lowering its duties on 128 items imported from this country, binding or freezing the duties on 330 items, exempting 479 of 492 items from payment of a World War II emergency surtax of 20 percent on duties and reducing from 10 to 3 percent a public works surtax on the duties on a few items. All these were in addition to numerous concessions granted in the original trade agreements in 1934 and amendments to that agreement.

These concessions by Cuba have been of major importance in the expansion of this country's exports to Cuba.

In addition, the lower import duty on sugar from Cuba has increased Cuban purchasing power for United States goods. About three-fourths of Cuba's exports come to the United States and sugar constitutes about three-fourths of these. Consequently, receipts from the sale of sugar here are the principal source of Cuba's purchasing power. About three-fourths of all Cuba's imports come from the United States.

While the United States quota for Cuban sugar determines the quantity which enters the United States market at the present tariff rate, this would not necessarily be true at higher rates. For instance, when the rate was 2 cents per pound in the early 1930's, the quantity of sugar imported from Cuba declined drastically and in 1933 was lower than at any time under the quota system. As with all trade barriers, the cost of this excessively high tariff was borne by the United States consumer.

Tax receipts of the United States Government from Cuban sugar in 1933, the last year before imposition of sugar quotas, amounted to about $63,000,000. This sum came from the tariff of 2 cents per pound on sugar from Cuba.

United States Government receipts from Cuban sugar in 1950, with Sugar Act quotas in effect, amounted to approximately $65,000,000 of which half came from the tariff at the rate of one-half cent per pound and half from the excise tax at the same rate. The excise tax on Cuban sugar has the same effect as a tariff on the receipts of the United States Treasury and the economy of Cuba.

Any possible reduction in the Treasury receipts from the import duty on Cuban sugar has been more than made up by the benefits received by the United States

public. These benefits, in the form of increased business and income for the people in this country, have yielded increased receipts to the United States Treasury.

CONCLUSIONS

The Reciprocal Trade Agreements Act has been of major importance in expanding the foreign trade of the United States during the last 17 years, as has been demonstrated by the increases in trade which followed the agreement with Cuba.

Under present international conditions further increases in trade are urgently needed to support the drive for greater production to meet mobilization requirements.

The existing law should not be amended in any way which would hamper the executive branch in administering the trade agreements program. The success of the program over the last 17 years clearly demonstrates that present safeguards are sufficient to protect the legitimate interests of all groups of producers in this country.

For all these reasons, the council strongly recommends the extension of the Reciprocal Trade Agreements Act without crippling amendments.

STATEMENT BY DAVID M. KEISER, CHAIRMAN, UNITED STATES CUBAN SUGAR COUNCIL, TO: WAYS AND MEANS COMMITTEE, UNITED STATES HOUSE OF REPRESENTATIVES

RECOMMENDATION: RECIPROCAL TRADE AGREEMENTS ACT SHOULD BE EXTENDED

As in its two previous appearances before the Ways and Means Committee, in May 1948 and January 1949, the United States Cuban Sugar Council strongly supports extension of the Reciprocal Trade Agreements Act and recommends adoption of H. R. 1612 now under consideration by this committee.

One of the major objectives of the council is to foster a closer trade relationship between the United States and Cuba by promoting development of trade between the two countries. The council is composed of a group of companies which own or operate sugar-producing properties in Cuba, the stockholders of which are predominantly United States citizens. These companies annually account for about one-half the total sugar output in Cuba. Names of the companies are listed at the end hereof.

UNITED STATE-CUBAN TRADE AGREEMENTS HAVE BENEFITED BOTH COUNTRIES

The first agreement to be signed after the act became effective in 1934 was that between the United States and Cuba. This agreement has afforded a convincing example of the benefits of the act to the people of both countries in the 17 years it has been in effect.

The value of United States exports to Cuba in 1949 was about eight times that of 1934, while the value of imports during the same period increased approximately 4.5 times.

GROWTH OF TOTAL UNITED STATES EXPORTS TO CUBA

Historically, Cuba has been one of the best markets for all kinds of agricultural and manufactured products of the United States. More than half of Cuba's imports have been purchased from the United States each year since 1909. In 1949, the latest year for which complete figures are available, 83 percent of Cuba's imports came from this country.

From 1902, after Cuba had gained its independence with the help of the United States, through 1929, the value of United States exports to Cuba averaged about $128,000,000 a year. During 1930–33, when the extremely high rates of the Smoot-Hawley Tariff Act were in effect, sales to Cuba averaged only $48,000,000. Since the enactment of the Reciprocal Trade Agreements Act they have risen gradually from that figure to an average of $232,000,000 a year in the period 1942–47, reaching a peak of $492,000,000 in 1947. In 1949, the value of United States sales to Cuba was approximately $380,000,000. For the first 10 months of 1950, they have amounted to $371,000,000 as compared with only $307,000,000 for the first 10 months in 1949, indicating that the total for 1950 will be well over $400,000,000.

CUBAN MARKET VITAL TO UNITED STATES AGRICULTURE AND INDUSTRY

United States exports of rice to Cuba, for example, have increased many hundredfold. In 1930-33, the 4 years immediately preceding adoption of the Reciprocal Trade Agreements Act, United States rice exports to Cuba were approximately $136,000 annually. In 1949, they were valued at $49,000,000. While statistics for the entire year of 1950 are not yet available, exports to Cuba of rice produced in the United States during the crop year August 1949 through July 1950 were about three and one-half times as large as the annual average prior to World War II.

The Rice Millers Association, representing the industry in this country, a few months ago in a letter to the chairman of the Committee for Reciprocity Information, pointed out that for 13 years Cuba has been the principal foreign market for United States rice and described the continuation of Cuba as a market for rice produced in this country as "the lifeblood of the domestic industry."

United States exports of machinery and vehicles to Cuba, which in 1930-33 averaged about $5,000,000 a year, amounted in 1949 to $73,000,000, an increase of 1,360 percent.

Exports of wheat flour have risen from about $3,000,000 in 1934 to nearly $16,000,000 in 1949, lard from $2,000,000 to $17,000,000, and chemicals from $3,000,000 to $27,000,000. Sales of many other farm and factory products from every section of the country have shown similar increases.

UNITED STATES BENEFITS FROM IMPORTS OF CUBAN SUGAR

The value of United States imports from Cuba increased from an average of $82,000,000 in 1930-33 to $387,000,000 in 1949. A large part of the increase in United States imports from Cuba has consisted of sugar, which has risen in value from an annual average of $54,000,000 in 1930-33 to $401,000,000 in 1947. This increase in sugar imported from Cuba has been of great benefit to consumers in this country during the entire period by assuring them of an adequate supply at all times at reasonable prices. In World War II and since the outbreak of hostilities in Korea, it has been absolutely indispensable and has saved this country from real sugar famines.

The greater volume of trade has raised the standard of living in both countries.

An interesting development has been that in addition to the large increase in both United States exports to and imports from Cuba, the excess of United States imports, which was 71 percent in 1930-33, has been reduced to less than 2 percent in 1949, indicating a much better balance of trade.

RECIPROCAL TRADE AGREEMENTS PROGRAM CORNERSTONE OF UNITED STATES TARIFF POLICY

In his recent Report to the President on Foreign Economic Policies, Mr. Gordon Gray on page 78 points out that "the cornerstone of United States tariff policy since 1934 has been the reciprocal trade agreements program."

Mr. Gray went on to say on page 79 that "the expiration of the Trade Agreements Act on June 12, 1951, should be taken as the occasion for a considerable extension and strengthening of this basic legislation." The council is in full accord with this recommendation.

INTERNATIONAL TENSION INCREASES NEED FOR H. R. 1612

In this period of international uncertainty, with the United States initiating large-scale mobilization, the trade agreements program takes on added significance. The increased production required to make the mobilization program effective clearly demands an increase in international trade, particularly in commodities such as sugar, tin, manganese, coffee and newsprint, which cannot be produced in sufficient quantities in this country.

An extended and strengthened trade agreements program can make a substantial contribution to the defense effort.

Probably at no time in our national history has the maintenance of friendly relations with other countries been so supremely important as it is today. Not only Cuba, but all nations with which the United States has trade agreements would be hurt by failure to extend the act, and their confidence in this country's good faith needlessly undermined. Moreover, their ability to cooperate in the United States defense effort would be hampered.

CONCLUSIONS

During the 17 years in which the trade agreement between the United States and Cuba has been in effect, it has amply demonstrated its value to the people of both countries.

This agreement has been the principal factor in the manyfold increases in the trade volume between the two countries since it went into effect in 1934.

With this country entering upon large-scale mobilization, necessitated by the increasing international tension, the trade agreements program becomes vastly more important to the people of the United States.

For all these reasons, the council strongly recommends the adoption of H. R. 1612 extending the Reciprocal Trade Agreements Act for a period of 3 years.

The CHAIRMAN. All right, Mr. Strackbein. Will you identify yourself for the record, please, sir.

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONAL LABOR-MANAGEMENT COUNCIL ON FOREIGN TRADE POLICY

Mr. STRACKBEIN. Mr. Chairman, I am chairman of the National Labor-Management Council on Foreign Trade Policy as well as executive secretary of America's Wage Earners' Protective Conference.

The National Labor-Management Council on Foreign Trade Policy was formed a year ago in response to the great alarm that was felt at that time over the threat and the actuality of injurious import competition in a growing number of industries. The council has equal labor and management representation from some 15 industries which employ upward of a million people.

America's Wage Earners' Protective Conference is composed of national and international unions affiliated with the American Federation of Labor. Most of these unions are also members of the Labor-Management Council named above. A list of the membership of both organizations is offered for the record, Mr. Chairman, at this point.

The CHAIRMAN. Put them in the record.

(The membership lists referred to above are as follows:)

America's Wage Earners' Protective Conference is composed of the following national and international unions affiliated with the A. F. of L.:

International Brotherhood of Bookbinders.
International Union of Operating Engineers.
International Photo-Engravers' Union of North America.
Atlantic Fishermen's Union.
Glass Bottle Blowers' Association.
American Flint Glass Workers' Union.
Window Glass Cutters' League of America.
United Hatters, Cap and Millinery Workers' International Union.
Brotherhood of Painters, Decorators and Paperhangers of America.
National Brotherhood of Operative Potters.
American Wire Weavers' Protective Association.

MEMBERSHIP OF THE NATIONAL LABOR-MANAGEMENT COUNCIL ON FOREIGN TRADE POLICY

Labor organizations:
- American Flint Glass Workers' Union
- Atlantic Fishermen's Union
- Seafarers' International Union
- Fish Cannery Workers' Union of the Pacific
- International Brotherhood of Bookbinders
- International Photo-Engravers' Union of North America
- United Hat, Cap and Millinery Workers' International Union
- International Council of Aluminum Workers' Unions

National Brotherhood of Operative Potters
United Cement, Lime, and Gypsum Workers' Union
International Chemical Workers' Union
National Match Workers' Council.
Greenhouse Vegetable Workers' Union 20557
United Wallpaper Craftsmen and Workers' Union of North America

Management organizations:

American Glassware Association
National Association of Manufacturers of Pressed and Blown Glassware
Scientific Apparatus Makers' Association
National Fisheries Institute:
Gloucester Fisheries Association
Massachusetts Fisheries Association
Seafood Producers' Association of New Bedford, Mass.
California Fish Canners' Association
Book Manufacturers' Institute, Inc.
American Photo-Engravers' Association
The Hat Institute
Wool Hat Manufacturers' Association of America
Reynolds Metals Co.
United States Potters' Association
Vitrified China Association, Inc.
Edgar Bros. Co. (kaolin)
Manufacturing Chemists' Association
Synthetic Organic Chemical Manufacturers' Association
American Match Industry (no association)
National Hot House Vegetable Growers' Association
The Wall Paper Institute

Mr. STRACKBEIN. Mr. Chairman, the present hearings differ from those held in the past for two reasons:

(1) A year ago, i. e., a year after the last hearings, imports were menacing a growing number of domestic producers. It was only by a narrow margin that a general depression was averted. For the first time since 1934, when the trade-agreements law was enacted, the deflationary powers of the trade-agreements program with its unrealistically reduced tariff rates were exhibited in its true light. The dangers were too real and too obvious to be easily forgotten. At no previous hearings—that is, at no hearings before this one—had it been possible to report realistically, as we can do now. There is no longer any question of the high vulnerability of our inflated economy to disastrous deflation from abroad if and when the economic stimulus of military preparations subside.

We have had our warning. It would be unaccountably foolhardy to disregard it.

(2) The second difference between this hearing and previous ones lies in the experience that has now been accumulated under the escape clause of the trade agreements.

Twenty-one or twenty-two applications have been filed under this clause. Some sixteen cases have been dismissed or relief denied under them. In only one case has relief been granted. Most of this action was taken in the past year or two, in other words, since the last hearings before this committee.

This record of dismissals is not wholly an accident. Unless American industry, including labor, is to be accused of making capricious complaints or of an irresponsible expression of alarm, or unless the Tariff Commission is to be held guilty of a callous disregard of the interests and welfare of American producers, the principal fault must lie in the provisions of the escape clause itself and in the procedures

and rules of its administration, as set forth in the Executive order which embodies the clause and provides for its administration.

We have prepared an analysis of escape under trade agreements and wish to offer it for the record, presenting here only a brief summary, as follows: I offer this analysis for the record.

The CHAIRMAN. Yes; you may do so.

(The document referred to is as follows:)

ESCAPE UNDER TRADE AGREEMENTS

The so-called escape clause of the General Agreement on Tariffs and Trade provides that—

"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."

This is the escape clause that has been publicized by the Department of State as the guaranty that American producers have a remedy against mistakes made in reducing the tariff. An analysis of the clause will soon reveal how loosely and defectively it is drawn and why, in good sense, it is deceptive to describe it as a remedy.

In the first place, the actual or threatened injury must have resulted from developments that were unforeseen *and* must be attributable to a trade agreement or similar obligation. The first half of this criterion, namely, that the developments that caused the injury were *unforeseen*, creates some doubts of interpretation as well as of intent.

Assuming, for example, that *foreseen* rather than *unforeseen* developments should lead to injury, would relief be denied? The language of the clause so indicates; for it would appear that if the injury was *foreseen* and was not guarded against or avoided by refusal to make a concession, such as a duty reduction, the injury must have been intended; and if it was intended no remedy would be available; for the remedy extends, by the language of the clause, only to those instances where the adverse developments were *not foreseen*.

The question naturally arises whether the injury would be any less damaging to the producers concerned if it had been foreseen by someone in the administrative agency that made the agreement.

If *foreseen* injuries are to be without remedy the further question arises whether trade agreements may lend themselves to punitive measures aimed at particular industries? Whether intended or not, under this clause an administrative agency could deliberately destroy an industry and at the same time strip the complainant of a remedy precisely because the damage was foreseen. But this is not all. Should the injured party then seek a remedy under section 336 of the Tariff, which provides for a cost-of-production study and offers a method of increasing the rate by 50 percent, he would find this avenue closed. The provisions of section 336 are not available with respect to any item that has been made the subject of a concession in a trade agreement.

The Tariff Commission has taken note of the extremely awkward wording of the escape clause in the matter of "*unforeseen* developments." In the Procedure and Criteria with Respect to the Administration of the "Escape Clause" in Trade Agreements (revision of February 1950), the Commission states that "the construction which the Commission places upon the words "*unforeseen developments*," * * * is that when imports of any commodity enter in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, this situation must, in the light of the objective of the trade-agreement program and of the escape clause itself, be regarded as the result of unforeseen developments." In other words, the Commission, confronted by the plain wording of the escape clause, simply side-stepped the language and elected to read common sense into it.

The second half of the first criterion, which requires that the injury complained of must be attributable to a trade agreement as a condition of escape, is also restrictive. The attribution of economic effects to particular causes, such as a

trade agreement, is, to say the least, an uncertain but heavy burden to place upon a complainant, and leaves him on an unstable footing since his allegations can be denied by attributing the alleged effects to other causes. The complainant has then no answer because his allegations, by their nature, are not subject to proof. This leaves him completely in the hands of the agency hearing his complaint. Under these conditions the scope of the agency's discretion is very wide indeed.

Once more, the Tariff Commission found it necessary to relax the restrictive effect of the clause. In the Procedure and Criteria cited above, they say "If the increase (in imports) was, *even in part*, the result of the concession, that is sufficient, since the language of the escape clause clearly does not require that the concession be the sole, or even the chief, cause." [Emphasis and parenthesis supplied.]

Thus in two instances the Commission has found it necessary to substitute its own interpretation for that of Executive Order 9382 which contains the official wording of the escape clause. There has been ample opportunity to revise the clause since its first inclusion in a trade agreement in 1943 and even since its appearance in the Executive order dated February 25, 1947, but this has not been done in any remedial sense.

While the interpretations of the Tariff Commission just cited, have materially improved the administrability of the clause, the fact remains that no delegation of power should be so loosely and poorly drawn that an administrative agency, in order to avoid a wholly absurd requirement, must deliberately read something into the order that it does not say, or brush aside something that the order clearly states.

Another requirement for escape laid down in the clause is the condition that the quantity of imports must have increased *and* that such increased imports are entering under such conditions as to cause or threaten serious injury.

This, again, is a compound condition: imports must have increased *and* must be entering under certain conditions.

Once more the Tariff Commission found it necessary to make its own interpretation. Of the increase in imports it says in the Procedure and Criteria, cited above, that "this means that imports under the trade agreements must supply a *larger share of domestic consumption* than they did during a previous period." [Emphasis supplied.] Of course that is not what the escape clause says but only in that light does it meet the dictates of common sense. This latter the Commission no doubt felt impelled to supply. The framers of the clause had apparently overlooked the condition where domestic consumption declines while imports remain as high as before or decline less than domestic consumption. This oversight was repaired by the Tariff Commission's interpretation, by which the word "relative" was inserted to modify the word "increase" so that actually imports need not increase in order to afford a basis for escape. They might even *decline*, so long as they declined less than domestic consumption.

However, despite the improvements of the clause by administrative interpretation, very serious defects remain in it. These appear to be quite beyond the reach of interpretations even as liberal as the Tariff Commission has been willing to supply.

It has been noted, for example, that the *increased* imports must also enter under "such conditions" as to cause or threaten serious damage. The only conclusion to be drawn from the linking of increased imports to the *condition* of their importation is that it was done to foreclose the possibility of an escape if there has been no increase (or relative increase, under the Commission's interpretation), no matter how much injury might be inflicted otherwise, i. e., in the absence of an increase. There was little that could be done about this through the medium of interpretation.

Yet it is easily conceivable that severe damage may be caused by imports even though they have not increased, either absolutely or relatively.

This would not only be possible but highly probable in a buyer's market. It is not necessary that imports take a higher percentage of the market than during a previous period in order to inflict damage on domestic producers. The determining factors are the domestic economic situation and the prices at which imports are offered in competition with our producers. *Injury is not merely the result of an upward trend of imports.* Changing domestic economic trends have as much bearing on the effect of imports, if not more, than the trend of imports themselves.

A given volume of imports may work great havoc in a *buyer's market* while the same volume would produce little or no competitive pressure in a *seller's* market,

where, of course, demand is strong in relation to supply. Imports that have fallen to a small percentage of domestic consumption, even as low as 2 or 3 percent, may cause much more damage than imports that formerly equaled 10 or 20 percent, if competitive conditions in the *domestic* market have in the meantime changed to a buyer's *from* a seller's market.

The escape clause takes no account of such a distinction between domestic market conditions. It simply assumes that imports cannot produce injury unless they take a larger share of the market than during some earlier period. Actually there is no necessary relationship between present injury from imports and the volume of imports five or ten or any other number of years ago.

Many of the present trade agreements were made while a seller's market prevailed in this country. This was a time when consumer demand was stronger than supply. Under these circumstances, dating of the trend of imports from the time of the trade agreement (as a means of determining whether imports have increased under its terms), is irrelevant to the question of injury. If a trade agreement was signed at a time when a seller's market prevailed, neither the volume of imports nor the tariff rate remaining on an article after a concession had been made, had any competitive meaning. Domestic producers could not satisfy the entire demand even at the high level of prices. Competitively it was a matter of indifference whether imports supplied 1 percent of 25 percent of consumption. It was equally immaterial whether the rate of duty was 1 percent of 25 percent.

When thereafter (as happened in a large number of cases) the seller's market reaches its end and is succeeded by a buyer's market, the volume of imports that the market absorbed successfully during the period of shortage offers no clue to the volume that can be absorbed under the new condition without injury; nor does the tariff rate that was in effect during the period of the seller's market indicate the level that may be appropriate in a buyer's market.

Therefore, to insist that applicants for escape from injury show an increase in imports since a particular trade agreement was entered into, is to impose an unjustifiable and meaningless condition upon those who allege injury. Imports may not have increased and yet serious injury may threaten or actually be in course.

The increased imports that must have occurred, in order to justify an escape, must, as already stated, also enter "under such conditions" as to cause or threaten serious injury. This means that it is not enough to prove an increase in imports alone. It must be shown that the imports are entering under such conditions as to inflict damage or threaten it.

The escape clause throws no light upon the kind of conditions that would be taken into consideration. However, market conditions, such as a buyer's market, might be regarded as suitable for consideration; as might also the relative price levels at which the imported products were being offered.

This requirement (of proof that imports are entering under such conditions as to cause or threaten serious injury) is sound in itself and would be acceptable but for its linkage with the preceding condition which requires that imports must have increased. If this conjunction were dissolved and the conditions of importation made an independent consideration, the difficulties and deficiencies of the increased-imports requirement would be overcome. This effect could be produced by changing the "and" to "or" in the clause that provides "*and* under such conditions" so that it would read "*or* under such conditions."

An escape could then be justified by showing that imports are entering *under such conditions* as to cause or threaten serious injury, *whether or not* they had increased. In other words, it would be possible to deal with the only part of the problem that has any meaning.

Since the "conditions" are not defined in the clause, it is, however, not clear how much weight is to be given to the volume of import trade as such, in relation to domestic consumption. There is a strong tendency to dismiss imports lightly as a source of injury if they are small in relation to domestic consumption.

That such dismissal may not be justified becomes clear when consideration is given to the possibility that the imports may compete with a particular variety of items in a broader classification, or in a particular market area, and may therefore offer heavy competition in the narrower field. Thus, imports of textiles may be small in relation to the domestic consumption of all textiles but may be much higher in relation to a particular kind of textile product or in a particular market. Acute injury may thus be suffered by the producers of the particular item or by those located in a particular area while other segments of the textile industry or those in other locations may experience little or no foreign competition.

Perhaps more important, however, than this consideration is the possibility of injury out of all proportion to the relative volume of imports. This may occur,

as already indicated, when the domestic market is on the surplus rather than the shortage side, and particularly at the end of a seller's market, when prices are high while demand begins to falter.

If imports are offered at prices below the domestic levels under such circumstances, no large volume of such imports is necessary to produce widespread and serious injury. Domestic producers will seek to reduce their high-priced inventory as rapidly as possible in the hope of averting a heavy inventory loss through falling prices precipitated or accelerated by low-priced imports. Inventory is most readily reduced by producing less, that is, by allowing sales to move stock from the warehouses while replenishing at a greatly reduced rate. Reduced production, of course, calls for a curtailment of employment, either by lay-offs or reduction of the workweek, or both. The damage may be all the greater if domestic producers do not know how large a supply is available abroad for shipment to this country at low prices, or if they know that a *large* supply is available.

If the imports flow in, as feared, and find a ready market domestic prices will fall and profits will be reduced. The pressure on employment and wages will mount steadily and the lay-offs may become permanent. It will be difficult to plan future production, and, as long as the threat remains, there will be no plant expansion and a minimum outlay for new machinery and equipment. This is not the road to an expanding economy.

If the threat or fear of increasing, low-priced imports does not materialize, damage will nevertheless result because of the uncertainty about the potential. What domestic producers reasonably anticipate or fear, rather than the fact, which will only subsequently reveal itself, will determine the extent of the injury.

Clearly, the possibility of escape should not be limited to any preconceived level of imports in relation to domestic production or consumption. Imports amounting to 5 percent or less of domestic consumption may produce more injury than a volume that takes 20 percent or more of the market.

Thus it is neither the fact of increase in imports nor the share of the market captured by imports, alone, that determines the likelihood or degree of injury sustained. Equally or more important are the domestic market conditions, relative price levels of imports and domestic products, extent of the available foreign supply and possession or lack of accurate information by domestic producers with respect to the foreign supply and its trend.

The foregoing analysis has demonstrated quite amply the serious need of a revision of the escape clause. An examination of the administrative provisions of the clause will show that they are equally in need of change.

The Tariff Commission is the agency vested by Executive Order 9382 with the authority and responsibility of administering the escape clause. While the Commission is the appropriate agency for carrying out this function, the grant of power and discretion is entirely too broad. It is left to the judgment of the Commission, for example, to determine whether an investigation should be made to determine the merits of an application for relief. The Commission, under this grant of power, has dismissed most applications brought before it, without a single word of explanation.

Even when the Commission makes an investigation, it need make no explanation of its denial of a remedy. Again it is under no obligation or mandate to make public its findings or expose its reasoning.

The grant of authority to the Commission is obviously designed to confer arbitrary and irresponsible power upon this agency, wholly out of keeping with good principles of government. The need for a revision is clear.

Mr. STRACKBEIN. (1) In its present form the clause requires that the injury complained of must have resulted from "unforeseen developments." This requirement is either meaningless in the sense that it lays down a condition that is beyond the possibility of objective proof or it represents a booby trap.

(2) The clause also requires that the alleged injury from imports must be attributable to a particular concession granted in a trade agreement. This requirement, again, opens wide the door to administrative discretion by failure to provide objective criteria. Other economic factors than imports can always be found to account for an adverse turn in business and employment and thus a remedy denied on the ground that imports are not the culprit.

(3) Finally, the clause provides that imports must have increased since the concession was granted. This requirement assumes that no remediable injury can occur unless imports increase. This is wholly unrealistic.

During a downturn of the domestic economy, when surplusages weigh heavily on the price structure and while consumers are slow to buy, imports will also decline. This will not, however, remove the threat of low-priced imports to the price structure, to production, employment and wages. Domestic producers will make every effort to reduce their high-cost inventory and this can only be done by curtailing output. This means lay-offs, reduced workweeks, et cetera. During such a period foreign exporters to this market will reduce their prices in an effort to stimulate sales, and the deflationary race will be on.

Yet, since the market under such circumstances is tight because general consumption is downward, imports will be reduced despite these efforts. At such a time the need for protection will be at its highest; but, because imports will have declined, the escape clause in its present form could not be involked. In other words, the clause will not function under the very circumstances when the need for a remedy is greatest.

(4) The administrative procedure provided in the Executive order vests complete discretion in the Tariff Commission to determine whether an investigation is to be instituted and whether a hearing should be held. This grant of plenary powers has led to the summary dismissal of cases without a word of explanation. in what might be an arbitrary or partisan disposition of the applications.

An amendment to H. R. 1612 was introduced into the House when the extension bill was before that Chamber, and passed. That amendment would go far toward correction of the weaknesses of the escape clause and we hope that this committee will adopt the amendment as its own. The amendment would eliminate the irrelevant requirements for escape cited above and would make injury from imports the sole criterion, provided only that a concession had been granted in a trade agreement on the article in question. This is really all that matters—injury from imports.

Beyond that, the amendment would require that each application under the clause be investigated and a hearing held, to determine the facts. No longer could the case be dismissed or the application denied without a finding of fact or a recital of reasons for the action taken. There must be a finding of fact, including the level of duty below which, in the Commission's judgment, serious injury would be incurred or would be likely to occur.

Finally, the amendment would provide certain objective facts as a guide in determining the actuality of serious injury or a threat thereof. Thus, if production, employment, and wages should decline, or if sales should decrease and inventory mount, partly as a result of imports, it would be deemed to be evidence of the kind of injury that would be entitled to relief.

This modification would adapt the clause for use in an economic recession or in a buyer's market. The adaptation would be accomplished by changing the "and" to "or" in the clause where it now provides that imports must be entering "in such increased quantity and under such conditions" as to cause or threaten serious injury.

The new clause says "or under such conditions as to cause or threaten serious injury." Thus, there need no longer be an increase in imports in order to qualify for relief.

The emphasis is thus shifted to the conditions under which importation takes place. Among these are the condition of the domestic economy and the bearing of this condition upon the competitive impact of imports. After all, it is the condition of the domestic economy that determines whether or not import competition can be absorbed with relative impunity. At a certain stage of the economy, as at the advent of a buyer's market, there is great sensitivity to price competition. It takes but little price advantage to topple the whole price structure. This sensitiveness is heightened if the volume of goods available for shipment into our market is not known, or if it is known to be large. Panicky conditions readily develop under a downward trend in the market, and are not easily allayed.

In an economy where wages, and prices of farm products are pegged at given minimum levels, it is not only contradictory but highly hazardous to leave the domestic front exposed to undermining influences of low-priced competition from imports. This is all the more foolhardy where the national economy rests on as high a level as does that of this country; where the national obligations, including debt service, overseas aid, veterans' assistance, and defense outlays make imperative an extremely high national income—one which can only be maintained through the continuation of high prices, high production and employment, high wages, a high rate of investment, and, in general, a high level of business activity.

Since competitive imports need not threaten or undermine the only conditions which will assure our national solvency, that is, a high national income, high production, high wages, and so forth, it is only a question of how this threat can be removed. The answer should be left to the escape clause to say how we can benefit from the trade agreements without serious injury, and the clause should be shaped to this end.

In the domestic economy we have taken many measures to assure fairness of competition, ranging all the way from antitrust laws and fair trade practice laws to minimum wage legislation designed to remove wages as a factor in price competition. These various measures have taught us that it is not necessary as a condition of selling in this country to resort to cutthroat or unfair competitive practices. It should be equally obvious that foreign exporters to this market need not undersell the market in order to enjoy a big volume of trade. Quite to the contrary, disruption of the market soon demoralizes and ruins business for all comers.

The American Federation of Labor in its last annual convention in September 1950, unanimously adopted a resolution aimed at unfair import competition. A copy is offered for the record, and I shall give here only the final part of the resolution, which is only a short part, leaving out the "whereases."

The CHAIRMAN. All of that has gone in today, I think. You will find it in the record. The resolutions have been put in, by whom offered, and the final conclusions.

Mr. STRACKBEIN. I see. There is no point in duplicating. I will simply read this here because it is in point at this place. The resolution said in part:

Resolved: That the American Federation of Labor, while fully recognizing the many economic benefits of a healthy foreign trade, declare its disapproval of such competitive imports as derive their competitive advantge from low wages prevailing abroad, unless this unfair advantage is appropriately offset or guarded against to assure competitive parity; that the undermining of labor standards through wage competition on an international scale cannot be accepted as a legitimate form of economic improvement; that it is not necessary as a condition of selling successfully in the United States, to offer goods at prices that substantially undercut the market; that the most healthy and voluminous trade can be built around fair competitive methods rather than seeking to base it upon price advantages that threaten the loss of employment and reduction in wages; and, finally, that the American Federation of Labor express its concern over further tariff reductions that will expose our workers to unfair competition from foreign wages and thus undermine the wage standards built up in this country over the years.

The escape clause should provide the means of preventing unfair foreign competition. It was indeed originally devised ostensibly for this very purpose; but experience has shown that it has not operated satisfactorily, for reasons which have already been set forth in part. We repeat, that this hearing provides the first opportunity in a succession of such hearings when we can report from first-hand knowledge upon the escape clause rather than from anticipation.

We now know that the existing escape clause is further deficient in failing to provide for the establishment of import quotas as a remedy against injury.

Many competitive import situations exist, and others may arise, where a return of the tariff to the preexisting level, that is, to the level existing before a concession was made in a trade agreement, would not prevent or eliminate injury. One of these situations is found in cases where the duty is a specific one, fixed in 1930 and established with the price level of that time in mind. Not only have many such duties been reduced but the great increase in the price level since 1930 has so vastly reduced the ad valorem equivalent of the specific duties, that this protective value has all but disappeared. Restoration of the 1930 rate would, therefore, not offer a remedy or create the basis for fair competition.

Other situations exist where the tariff is not suited to the competitive problem. Where a part of the imports come from one or more low-cost countries and another part from other countries where higher costs and prices prevail, a single rate of duty is inadequate. If it were high enough with respect to the low-cost sources, it would be too high for the higher-cost countries and vice versa.

Under conditions such as these, import quotas would be more suitable as instruments of relief than the tariff. Such quotas need not be restrictive of imports and should be related percentagewise to domestic consumption.

The imposition of flexible quotas would at once provide the basis for fair competition and prevent exactly those disruptive effects upon production, employment, and wages that are most feared—and fear of which reacts in anticipatory fashion to make matters worse, thus starting a vicious downward circle. If it were known beforehand that imports could in any case take only so much of the market, the fears would not arise, or if they did, would readily subside. The ill effects of curtailment of inventory out of fear, with its train of lay-offs and shortened workweek and pressure on wages, would be readily contained, so far as those effects had their roots in import competition.

The clause as amended in the House contains a provision that would make permissive the establishment of import quotas as a

remedy for injury or its prevention. We strongly urge this committee to keep this part of the amendment as well as the rest of it.

Senator MILLIKIN. Mr. Chairman, the witness has doubtless noticed in the discussion of today on section 22 that so far as agricultural products are concerned there is nothing new in quotas at all.

Mr. STRACKBEIN. That is correct.

We should get over the idea that economic benefits for one part of the economy, in this case the export industries, can be gained only at the expense of other segments of the economy. The benefits of the trade-agreements program can be gained for those who are favored by it without calling upon others to pay an equivalent price in injury. If it cannot, it should be abolished. We believe that a wise and judicious application of a redesigned escape clause, including the quota provision, will make it possible to avoid the unnecessary injury that often accompanies competitive imports, without at the same time damaging our international trade.

Mr. Chairman, if that point can be driven home, I am sure that there would be less dissatisfaction with the operation of the trade agreements program. It is not necessary to hurt one segment of our economy in order to benefit another segment. What is the necessity and what is necessary is that the import competition be put on a fair competitive basis.

The peril point: H. R. 1612 as amended by the House, also includes the "peril point" amendment. This amendment would return to the Congress a measure of control over tariff rate adjustments and would also return to a bipartisan commission the function of finding proper tariff levels. It removes tariff making from the executive branch where partisan political considerations enter too easily, even if unconsciously, into rate determination.

Inasmuch as the peril point provision of the bill would be utilized in preparing for trade agreements, the procedure, if properly carried out, should minimize the need for remedial action under the escape clause. The merits of the proposal have already been quite fully debated and we recommend adoption of the amendment.

Two-year extension: H. R. 1612 as passed by the House would extend the trade-agreements program for a further period of 3 years. We believe that a 2-year extension would be more appropriate. International conditions are greatly unsettled today and the economic factors of international trade are undergoing what may be far-reaching changes. Moreover, the congressional term is 2 years. The Eighty-third Congress, whatever its political complexion, should have the opportunity of reconsidering the trade-agreements program in its first session. This reconsideration in 1953 could be assured by extending the act for 2 years rather than 3.

State Department reaction to the House amendment of the escape clause: The first objection raised by the Secretary of State, Mr. Dean Acheson, against the escape clause amendment, when he testified before this committee on February 22, was that "it could be invoked without any increase in imports."

This is precisely what is desired as an improvement of the clause. Evidently the State Department is not aware of the character of injury from imports. We repeat that injury from unfair competition from imports is not necessarily the result of an increase in such imports on one date as compared with another. We have pointed out

elsewhere that in a seller's market, our domestic market might be able to absorb imports equal to 15 or 20 percent of domestic consumption of a given article without injury, whereas in a buyer's market, imports amounting to 5 percent or less of domestic consumption of the same article, might cause great injury.

The condition of the domestic market is the determining factor: whether a surplus has developed or is on the verge of developing; whether prices are on the verge of a decline; whether demand is faltering and similar developments, foreseen or unforeseen.

We should not forget that all the multilateral trade agreements under the trade-agreements program were made during the postwar boom period, from 1947 this way.

An economic decline would carry with it a decline in imports; but the reduced imports might cause distress or add to distress because of the domestic market conditions. For the first time since the duty reductions were made, would the merits of such reductions thus be tested. Hitherto they have withstood only the test of fair weather. How will they look in a storm? We should have a remedy at hand for ready use under such circumstances and not have to wait a protracted period for enabling legislation or State Department reversal of policy.

The next complaint of the State Department was that the escape clause could be invoked even if the imports complained of were not the result of a tariff concession. Actually, the number of such items is small, that is to say, the trade-agreements program has covered nearly all the items of the tariff; or at least the imports of these items are not great, so that this complaint is somewhat frivolous, and we need not spend much time on it.

Then there is complaint that the clause could be invoked by "only a segment of an industry, no matter how marginal." This complaint again is without much substance, as witness the withdrawal of the concession on women's fur felt hats under escape clause action.

That, Mr. Chairman, is the only escape that has been permitted under the escape clause to date.

The women's fur felt hat division of the hat industry is only a segment of the hat industry. Should relief have been denied because this was "only a segment of an industry"? I think the question answers itself.

There are other situations where denial of a remedy to a segment of an industry might work great hardship. It might bring about insolvency or such distress as to lead to a merger and thus add to monopoly power.

An example could be found in an industry such as aluminum where one or two companies might be injured by import competition whereas a larger company might escape injury. After some time, the smaller units might be forced out of business.

Another example might be found in the petroleum industry, where the smaller companies, whose operations are confined to the continental United States, might find competition highly injurious while the larger companies, because of their extensive overseas opreations, would not be similary injured.

We therefore feel that the use of the escape clause should be available to segments of industries. Otherwise, monopolistic tendencies could too readily be abetted.

Another objection advanced by Secretary Acheson was leveled against the fixing of a "peril point" if an application is dismissed under the escape clause.

This objection may have some merit if the reasons for the dismissal are satisfactorily set forth otherwise. We would not insist on this except for its value in discouraging applications under the escape clause where injury is not sufficiently proximate to justify such an application. Quite the contrary to the Secretary's judgment that such a requirement would "give the Tariff Commission a lot of work" we believe it would have the opposite effect. Industries would be slow to ask for a peril-point determination unless they were quite sure that such a finding would sustain their claim that the existing duty was lower than the peril-point and should be raised. They would not wish to risk a finding that the peril-point was lower than the existing rate of duty and the latter therefore higher than necessary.

Finally, the Secretary objects against the requirement in the amendment that a downward trend in production, employment, and wages, or a decline in sales or an increase in inventory, be deemed evidence of injury if attributable in part to imports "in any way." The amendment does not say attributable "in any way." That is the Secretary's own version.

Obviously a reasonable relationship would have to be established between the imports and the injury complained of. However, we wish to make it clear that we think that reasonable doubts, where they might exist, should be resolved in favor of the domestic producers rather than imports. The burden of proof has been too much the other way around.

Also, it should be pointed out that the criteria mentioned should hardly be regarded as exclusive of other evidence of injury or its absence. The factors mentioned are, however, the significant elements of injury. If imports would not reduce domestic production, employment or wages, or did not lead to a decline in sales or an increase in inventory, how else could they inflict harm? Are these not the real considerations, the real stakes? Financial injury is not ruled out but if the other elements are present, financial injury will eventually follow, if not occur immediately. Since, however, financial injury is not the only injury that counts, we should make sure that the other, the underlying elements, are neither overlooked nor neglected in assessing the merits of an application under the escape clause. Therefore we believe that they should be written into the law, in the clause.

Secretary Acheson says that the amendment is not necessary because most of the trade agreements contain an escape clause. We feel that the present clause is inadequate, garbled in its sense, and not properly addressed to its avowed function; and that the administrative procedure is arbitrary and contemptuous of the rights or privileges of American citizens. The State Department should be the first to suggest corrective action; but since they have not done so, we hope that this committee will supply the remedy by reporting favorably the House amendment.

Mr. Chairman, I would like to introduce at this point the last of my exhibits, and this is a small pamphlet entitled "The Tariff Issue Reviewed and Restated." It covers ground that is highly relevant to this question.

The CHAIRMAN. Is it a lengthy document?

Mr. STRACKBEIN. I do not know what you call lengthy. It is 19 pages.

The CHAIRMAN. Well, we do not want to build up the record too far. You may file it with the clerk.

Mr. STRACKBEIN. Thank you, Mr. Chairman.

(The document referred to was filed with the committee.)

The CHAIRMAN. Any questions?

Senator MILLIKIN. I would like to say, Mr. Chairman, that I think the gentleman has made a superb presentation.

The CHAIRMAN. We think you, sir, for your appearance.

Mr. STRACKBEIN. Thank you.

The CHAIRMAN. There is one other witness who did not answer before, Mr. Sanders, J. T. Sanders.

Mr. Sanders, is yours a lengthy statement?

STATEMENT OF J. T. SANDERS, LEGISLATIVE COUNSEL, THE NATIONAL GRANGE

Mr. SANDERS. No. I do not know whether it is lengthy, Senator George, in terms of your hearing or not. It is nine pages of double-lined spaces.

The CHAIRMAN. Well, you have a seat, and we will proceed with it. All right, Mr. Sanders.

Mr. SANDERS. The National Grange is in favor of reciprocal trade agreements in principle but has not been in favor of some of the policies governing our negotiation and decisions on trade agreements. These policies we believe have overemphasized trade expansion and foreign relations and have given too little recognition to the effects of the agreements on soundly established domestic industries. We believe that agriculture has been asked to bear a disproportionate share of past cuts. We also believe that our trade-agreements program must not permit imports to gain any benefits from domestic farm price-support programs and that trade agreements must be brought into full harmony with these price-support programs.

We also find fault with the method thus far used in negotiating trade agreements, in that Congress has practically abdicated its constitutional mandate to determine tariffs and has delegated this authority to the President who, in turn, has given it to the State Department.

Senator MILLIKIN. May I add, sir, that in turn the State Department has delegated it to an international organization.

Mr. SANDERS. Well, it seems that is the case as indicated recently in the agreement in Torquay.

We believe this is a definite mistake that should be corrected in our trade-agreements policy.

This does not mean that we recommend that Congress go back to the old log-rolling method of determination of tariffs, item by item. We believe that Congress should set up definite principles and limitations by which tariffs should be determined and should provide positive means of determining before negotiations begin whether or not these principles or limitations are violated by proposed negotiation. If the State Department continues to negotiate these agreements under an over-all percentage limitation, the effects will be that in reality

Congress will not have anything whatever to do with the actual determination of specific classes or groups of tariffs, which is an abrogation of its constitutional tariff-making responsibility of the Congress.

Our endorsement of the renewal of the Reciprocal Trade Agreements Act under the above-mentioned safeguard is based on a recognition of the importance and service of agreements in the diplomatic or foreign policy field, the great benefit of maximum sound foreign trade; the necessity of imports sufficient to balance our exports; and a recognition that comparative production advantages which different nations have should be the most important factor in most trade and tariff determinations. We believe, however, that it is very important that tariff adjustments should not be made in utter disregard of their effects on well established industrial or agricultural enterprises; and in no case should they be allowed to damage industries necessary to national security or industries based on our sound economic advantage in such industries.

As a guide or set of principles for the renewal of the Trade Agreements Act and in the negotiation of agreements, the Grange has formally approved and recommends to the Congress the following policies:

(1) That tariffs be levied on and confined to those items which are substantially competitive with soundly established American production.

(2) That the basis of rate making should be:

(*a*) the difference in cost of production between——

Senator MILLIKIN. Mr. Chairman, may I interrupt? You would not preclude the safeguarding of future established industries or future industries to be established? In other words, you would not put this whole economy in a strait-jacket and say that these safeguarding measures should only be applied to existing soundly established industries?

Mr. SANDERS. Well, if it could be determined that we had industries, a separate from industrial units in a given field, that already has industries in it, if we could determine that a new industry can be placed on a sound economic basis, then I think we should try to encourage that new industry, and I am sure that our organization would approve that sort of a proposition. However, I do not believe we have mentioned it in our policies. [Reading:]

(*a*) the difference in cost of production between home and abroad and confined to items which can be produced domestically on an economically sound basis, that is, products in which we have some comparative economic advantage,

(*b*) the need to encourage production of strategic items, and

(*c*) the need to maintain production of specific items in the interest of the general welfare and the maintenance of a balanced economy.

(3) That in determining the tariff rates and the items on which they would apply, the Tariff Commission should take into consideration, among other factors:

(*a*) Natural advantages: Items which can be produced abroad at much lower cost by reason of advantageous soil, climatic, and transportation conditions, cheaper sources of raw materials, or other natural advantages should not be excluded by tariffs.

Senator MILLIKIN. I assume these are the things that should be thought of, that no one of these is determinative.

Mr. SANDERS. That is right, sir. There are a set of what we think are fundamental guides that the Congress should set up in the determination of what we should have tariffs on and how much the tariffs shall be.

Senator MILLIKIN. For example, foreign countries can grow sugar infinitely cheaper than we can grow it. I do not assume that the Grange would advocate that we should shut down our own domestic sugar industry and throw it overboard because other countries, perhaps, have greater advantages, natural advantages, in that direction?

Mr. SANDERS. Well, we look upon sugar as one of these strategic materials that we should at least encourage the domestic production of a certain amount of our requirement, for safety purposes, just the same as we do wool. We think wool is in that category.

Senator MILLIKIN. Yes; and cotton also, would you say?

Mr. SANDERS. Well, I doubt whether cotton would be in that category because we are on an export basis of cotton. But I think that cotton should be protected against damage to any price support program that we may have on it.

Senator MILLIKIN. What I was leading to is, there are vast plans for reclamation projects and all kinds of programs for growing cotton in virgin soil, cheap land, cheap labor, and if all those projects get to grinding out the cotton, We will have cotton imports running out of our ears in this country, and that is a little bit in the future, but, as a matter of permanent policy, I think we ought not to take our umbrella off from cotton.

Mr. SANDERS. Senator Millikin, we have a proposal that we have never put forth until this past year which I give later in my discussion along the line that you are discussing right now, and I would like to wait until I read that, and then if you have further questions I would be very glad to answer them.

Senator MILLIKIN. All right.

Mr. SANDERS (reading):

> (*b*) Standards of living. We should protect our producers from competition of products produced by workers engaged in any phase of production or marketing, whose low standards of living, as a consequence of exploitation of labor have contributed to the low cost of the imported product, giving due consideration to output per person.
>
> (*c*) Diverse uses: We should protect our 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 enjoy an abnormally high market for lamb or mutton, their cost of producing wool will be reduced, and the excess supply might drive selling prices to levels ruinous to our 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.)
>
> (*d*) Temporary conditions: We should protect producers from the effects of dumping surplus products on our markets at prices made possible by abnormal or unusual circumstances, such as, exceptionally large seasonal surpluses.
>
> (*e*) Continuity of supply. Except in cases of abnormally low supply, we should protect our producers against competition of products, the supply of which may not be constant or not reliable in other respects. (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 were destroyed and it took years to replace them.)
>
> (*f*) Sudden injury to well-established industry: We should not permit sudden change in imports which would cause serious injury to some industry without adequate opportunity for the owners and employees to make adjustments to protect themselves from the shock.
>
> (*g*) Subsidized competition: We should protect American producers from competition made possible by subsidized or artificial advantages except, of

course, in the case of such commodities as we cannot produce in sufficient volume for our needs at economically sound costs.

(*h*) Domestic programs of price support for agricultural products: We should avoid undermining any farm price-support programs which the Congress sees fit to provide.

Senator MILLIKIN. Mr. Chairman, how do we safeguard those agricultural products which are not under farm price support?

Mr. SANDERS. Did you ask the chairman or me?

Senator MILLIKIN. I would like your reaction.

The CHAIRMAN. He addressed it to you.

Mr. SANDERS. You asked how are we to safeguard agricultural commodities that are not under price support?

Senator MILLIKIN. Yes.

The CHAIRMAN. Yes, sir.

Mr. SANDERS. I think we should safeguard them by a straight out tariff, if they are on a sound basis and are commodities that we should preserve the production of, or we could protect them in some way by quotas. Now, I want it to be clearly understood in that we should not try to safeguard unsound production such as for example banana production in this country because it would cost us too much to grow our bananas.

Senator MILLIKIN. I am talking about our own products.

Mr. SANDERS. Yes. Well, I think we should. I think we most certainly should safeguard those commodlties that we produce under sound economic costs domestically and which we do not have a price-support program on, by some methods.

Senator MILLIKIN. Thank you.

Mr. SANDERS (reading):

(4) That the Congress empower the President to designate stragetic items deemed necessary for self-continuance. We should encourage the production of such stragetic items as the Congress or the President may from time to time determine, even at higher costs that 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. Stockpiling of stragetic materials should be encouraged and power given to the President to suspend tariffs for this purpose.

In addition to the above formally adopted principles for guidance in tariff policies, we think consideration should be given to the sociological and possibly political value of an industry. Agriculture is considered the seedbed of our population and as a general tendency our cities would "dry up" were it not for the flow of people from farms to the cities. The ownership of property, the individual responsibility, and the independence of thought and action that prevails in farming tends to build a strong productive democracy. We do not mean to imply by this that agricultural enterprises should be encouraged by tariffs regardless of costs but that the value of a strong agriculture to a strong nation should not be overlooked in tariff determination.

Tariffs should with great care be reduced on products that are likely to be controlled by foreign cartels and monopolies. Also, tariffs should be reduced first and most on items that are under some form of domestic monopoly control.

Consideration should possibly be given to whether or not imports from a foreign nation reduces the supply of foods and other essential items of the common people of that nation in order to help the upper class live in the luxury of American goods.

An excess of imports over exports may at times occur from tariff reductions and at certain times, such as now, that is desirable, but at other times such a situation could cause or aggravate a depression. Our tariff policy should define a policy on this matter in line with our national welfare.

The tariff policy should state when and under what conditions tariff concessions in conflict with the above principle could be ignored for reasons of foreign relations.

In addition to the above set of principles which we recommend be set forth by Congress for guidance in the negotiation of agreements, the Grange has formally proposed and adopted the following additional amendments:

(1) That all proposed agreements be carefully analyzed by the Tariff Commission to ascertain the extent to which proposed changes in tariffs endanger essential and economically sound American industries and to so inform the President and the Congress.

(2) That since these agreements are in fact treaties, they should be ratified by the United States Senate before becoming effective.

The National Grange stands firmly behind a price-support policy for agriculture that will raise the general level of domestic agricultural prices above the levels determined in unsupported markets. This in all cases probably means domestic prices that are above world prices. If such price-support programs are made effective, measures must be adopted to prevent foreign producers of these price-supported products from shipping products in at support levels or below, thus reducing the benefits—as well as increasing the cost—of price support to American farmers and spreading price-support benefits to foreign interests. These results cannot be permitted and it is claimed by some that price supports should not be in conflict with trade agreements.

Farmers have insisted on maintaining section 22 of the 1938 Farm Act which calls for the exclusion of imports of price-supported products if the Secretary of Agriculture finds that such imports are impairing price supports.

This program of exclusion of foreign products is criticized on two counts: first, that price supports implemented by Government purchases of surpluses amount to export subsidies in that the Government must sell products, bought at a high price, to export markets for a lower price than the purchasing price, thus practicing "dumping"; second, that such practices in reality nullify the trade agreements at least in spirit if not specifically.

Also objections are raised to operation under present provisions of section 32 whereby portions of receipts from import revenue may be used to subsidize exports of surplus farm products as a part of our price-support programs.

The National Grange is proposing a two-price system operated in such a way that these criticisms would be, we believe, much less justified. In the first place, our proposal is that farmers should be required to sell the export or the domestic surplus portion of their crops at world prices and at surplus use prices if sold domestically, and not receive the support price for these surpluses. If exports are moved only at these surplus or world market prices the claim of a subsidy to exports and the complaint of dumping are, we believe, unjustified.

In the second place, our program requires that all imports of price-supported products be sold for surplus uses only and at the same price

American farmers receive for the surplus portion of their crops. In other words, all imports of price-supported products would be used only in domestic surplus uses at surplus prices, and would not be allowed to move into price-protected uses and markets. This means that import surpluses will not be discriminated against by domestic surplus products and will receive identical treatment, as do domestic surplus portions of the product, but will not receive the special advantage accruing to the domestic price-supported markets. An importing country could and should be allowed to operate a similar two-price system in reverse, protecting its domestic production markets from the lower price market of the imported portions of their requirements.

By means of such a price-support program, the conflict between these programs and the reciprocal trade agreements could be to all effects eliminated and tariffs could be reduced and quota restrictions could be largely eliminated without interfering with domestic price-support programs.

The National Grange has had very specific resolutions in favor of section 22 and for broadening it to restrict imports on all price-supported commodities. As long as we have the present farm program, we must restrict imports of price-supported commodities. As long as we have the present farm program, we must restrict imports of price-supported commodities if our domestic and foreign trade policies are to be consistent and make sense. For a number of years, we have been advocating a two-price system similar to the one described above under which imports would be allowed to come in at the surplus price for surplus use only. We believe that if our two-price system is adopted, both section 22 and section 32 would become of minor importance and most difficulties now connected with them would disappear.

We hope that a comprehensive and sound trade policy, recognizing the points listed above and possibly others, is developed by this Congress as a guide to executive agencies in tariff negotiations. Extension of our present reciprocal trade policies which simply extends the "cut the traiffs anywhere" policy is likely to cause unfortunate damage to producers and the national welfare.

We believe that if all these points are considered that agriculture, which contributes only one-third of our export trade, will not have to take, as it has under previous trade treaties, about half of the concessions made in the reciprocal trade negotiations. The present law, which is devoid of a definite policy, lends itself to arbitrary and pressure-conscious tariff-making. After a sound tariff policy has been developed, the Congress should set up tariff-making machinery designed to gring about a tariff schedule in line with the principle it has laid down.

Congress should be provided with enough facts to determine whether or not its policy is being followed in the tariff negotiations and if it isn't, the Congress should maintain its power to disapprove them. The Constitution places the responsibility for tariff-making upon the Congress even though tariff negotiating is a matter of foreign affairs under the President.

We would like to see a small independent Tariff Policy Commission set up to determine what the governing principles and limits of tariff determination should be, what our tariff schedules should be, based on

the policy laid down by Congress, and what tariff concession we should ask from other countries for the cuts we make. This Commission would hold hearings at which Government agencies as well as producer groups would appear to present their facts, viewpoints, and arguments. The Commission would also hear producers under the so-called escape clause and grant protection from imports where justified by the facts and the established tariff policy. The present Tariff Commission is a fact-finding body and is not designed to act in a policy-interpreting and quasi-judicial capacity. The proposed Tariff Policy Commission would function very much like a court. The State Department, which is in charge of our foreign affairs, would have to negotiate reciprocal trade agreements within the schedules set by the Tariff Policy Commission. The Commission would report its tariff schedule to the Congress and unless changed within 30 days would be considered final for the purpose of the forthcoming trade negotiations.

If this new tariff-making procedure is not feasible at this time, we ask that the peril-point provision, or something like it, be enacted. We do not like certain aspects of the old peril-point provision, especially the one which takes the Tariff Commission off the Interagency Committee. The Tariff Commission should present all its facts at the time the proposed tariff cuts are being considered. Also, we feel that it is not wise to require the peril points on all the commodities to be published if a tariff is cut below one of them. It might create vested interest by industries in such peril points even though they are only for the current period, and, also, they would be in effect notices of maximum tariff reduction points to foreign countries and in this way would be handicaps in our trade negotiations with the other nations.

That finishes the statement, Mr. Chairman.

Senator MILLIKIN. Mr. Chairman, I would like to make a comment on that last paragraph. The Tariff Commission under the peril point does not have a right to participate in the negotiations. By express language of the peril-point provision, it must continue to supply information to these other agencies which are represented on the Interdepartmental Committee. The reason for that is that the Tariff Commission as now constituted is an agency of the Congress; it is not an executive agency. It has no authority to participate in executive functions.

We do not think that sitting there in a judicial capacity it should then, on the other hand, have to go out and help negotiate treaties. There is a difference in function which we think makes that kind of business unsound.

Now, the publication of the peril point under the bill as proposed here is only that part that deals with concessions where made below the peril point. Well, if we publish that peril point, we are making it aware to the world that they have got a better deal than, perhaps, they should have expected. That will not make them mad. But if we publish peril points where we kept above them in the agreement that, of course, would be a very foolish thing to do, because every country so notified would at once curse its ambassador, and its negotiators, and say, "You did not do as good by us as you should have done."

I respectfully suggest that the point is pretty well covered by the language of the bill.

Mr. SANDERS. By the language of the bill. I must confess that I was not—I did not get over here in time to get a copy of the bill.

The CHAIRMAN. I take it that you favor the Dempsey amendment on farm products, which recommended that farm products be added?

Mr. SANDERS. If I understand that amendment, I am afraid we do not favor it. The Dempsey amendment says that no imports shall be made at a price less than the support price; is that not right?

The CHAIRMAN. Equal or——

Mr. SANDERS. But as long as we have our present farm programs, yes, Senator; we would favor it. I am pretty sure, we do believe that the proper way to handle this is to classify imports as surplus and have a two-price system that requires our farmers to sell their domestic surplus at surplus prices, and put——

The CHAIRMAN. I am not citing this as an authority against the two-price system, but I suppose you do remember that we had a Secretary of Agriculture here once by the name of Wallace who siad that the two-price system was all moonshine and bad.

Mr. SANDERS. Well, I have known Secretaries of Agriculture to be wrong. At least, the Grange has known Secretaries that they thought were wrong.

Senator MILLIKIN. Did the chairman state your position correctly, that if you cannot have the two-price system that then you would be inclined to go along with the amendment which requires import restrictions when there is a support price, and if those imports would tend to give us unmanageable surpluses?

Mr. SANDERS. The Grange believes that our price-support programs are sound programs, that they are economically justified, and we do not believe that any import policy should break those programs down and neutralize them.

What is the use of our trying to protect the price of domestic producers of wheat, we will say, and then promptly let imports just come in and take all the price-support advantage that we are trying to give our producers. Or as we did in potatoes, try to raise the price of potatoes by the totally impractical way of buying them and piling them up, and then letting Canada just keep pouring potatoes in on us at the support price. We cannot have a practical price-support program by purchase and allow freedom of importation.

Senator MILLIKIN. Well, as a generality, supposing you do not get the two-price system this time. Would the Grange object to a provision which would prevent the importation into this country of supported products?

Mr. SANDERS. Not only would we not object to it, but we would support a provision that would aim to do that.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Sanders.

Mr. SANDERS. Thank you.

The CHAIRMAN. The committee will not sit tomorrow morning. The hearing will be recessed until 2 o'clock.

(Whereupon, at 5:55 p. m., the committee adjourned to reconvene at 2 p. m., Tuesday, February 27, 1951.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

TUESDAY, FEBRUARY 27, 1951

United States Senate,
Committee on Finance,
Washington, D. C.

The committee met, pursuant to recess, at 2:05 p. m., in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Kerr, Millikin, Taft, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk; and Serge Benson, minority professional staff member.

The Chairman. The committee will please come to order.

Mr. Edward Vonderahe.

The other members of the committee will come in shortly; otherwise, they will get your testimony from the transcript.

May I ask: Did you appear before the Ways and Means Committee?

Mr. Vonderahe. I did, sir.

The Chairman. On the Reciprocal Trade Agreement Act?

Mr. Vonderahe. Yes, sir.

The Chairman. Your testimony is then in the record?

Mr. Vonderahe. A portion of the testimony is. We have some new matter.

The Chairman. All right. I am not going to exclude those witnesses, but I hope the witnesses who testified before the Ways and Means Committee will not abuse this committee by unduly prolonged statements, and repetitious statements particularly.

Mr. Vonderahe. I will keep it short.

The Chairman. You may identify yourself for the record.

STATEMENT OF EDWARD F. VONDERAHE, MANAGER, GLOVE DIVISION, GLOVERSVILLE KNITTING CO., GLOVERSVILLE, N. Y.; ACCOMPANIED BY EDWIN G. MARTIN, ATTORNEY, AMERICAN KNIT HANDWEAR ASSOCIATION, AND HARRY MOSS, JR., SECRETARY, AMERICAN KNIT HANDWEAR ASSOCIATION

Mr. Vonderahe. I am appearing at the request of the members of the American Knit Handwear Association, Inc., composed of 16 companies who produce 97 percent of the seamless knit gloves and mittens manufactured in the United States.

The knitting of gloves is a skilled industry. The employees receive relatively high wages. Labor is obtained from the small towns in which the factories are located and there are few, if any, alternative opportunities for work. The employees are, accordingly, dependent upon continued operation of the knitting mills as a source of livelihood.

The industry is efficiently operated and well financed, but it must have continued tariff protection to be able to compete with imports from Japan.

The industry suffered severe competition from imports in the 1930's but under remedies then existing it was granted relief and was able to stay in business. Thus it could meet the heavy wartime demand from the military and also supply civilian requirements.

In spite of the fact that prewar cost-of-production investigation had shown the need for tariff protection, this country gave concessions to the United Kingdom and China in the Geneva negotiations (1947). This was done even though Japan had been the principal competitor before the war and might have been presumed to be the potential postwar supplier once its industry was restored.

In fact, no sooner had the Geneva concessions become effective, in 1948, than imports from Japan were again resumed on a large scale. In that year Japan supplied 74 percent of our total imports of wool gloves; in 1949 Japan supplied 93 percent; and in 1950, 94 percent.

Thus we see a situation in which a country with which we have no trade agreement enjoys almost all the benefits of these tariff reductions, even though that is contrary to the policy we are supposed to follow in granting concessions.

Part of the concession on gloves granted to China is no longer in force. The industry has also asked for withdrawal of all the concessions on low-priced gloves but, so far, has not been successful. In fact, we can't even learn whether our own Government wants us to have relief. We are told that official policy forbids disclosure, even to interested parties of information on decisions until all the negotiations are completed.

Senator MILLIKIN. May I ask if the witness is informed as to what is the basis of carrying on our trade with Japan at this time?

What is the mechanism for it?

Mr. VONDERAHE. Well, since there is no treaty, Japan is not under GATT. The tariff rates are those that were agreed upon with the United Kingdom and with China, and those rates obtain.

The CHAIRMAN. The China rates have been revoked, have they?

Mr. VONDERAHE. There has been a restoration of one category as the result of the abrogation of the Chinese treaty, the so-called embroidered category.

Senator MILLIKAN. Let me get a little clearer. Is Japan operating as though we were at peace with Japan so far as the reciprocal trade agreements are concerned?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. That must come about by proclamation or by Executive agreement or by some kind of a mechanism. I am wondering how it comes about.

Is there anyone here from the State Department?

The CHAIRMAN. I believe Mr. Brown is not here this afternoon. He said he had another engagement.

Mr. VONDERAHE. I think Mr. Martin can answer that question.

Senator MILLIKIN. Do you know, Mr. Martin?

Mr. MARTIN. Yes, Senator. The Trade Agreements Act itself specifies that reduced duties apply to products from all foreign countries unless the President in particular cases finds that the coun-

try is discriminating against American trade or otherwise pursuing policies contrary to the Trade Agreements Act.

Senator MILLIKIN. And has he found that, so far as Japan is concerned?

Mr. Martin. He has never found, sir, in the case of Japan. There are only two instances: With Germany back in the middle 1930's, and Australia for about 2 years in 1936–37, along in there. There has never been action—other than those two instances—under that authority. But the law itself stipulates, treaty or no treaty, the reduced duties have general application.

Senator MILLIKIN. Frankly, it never occurred to me that that would be broad enough to include an enemy country.

The CHAIRMAN. Is General MacArthur given any authority and power over trade with Japan?

Mr. MARTIN. I believe so, Mr. Chairman, I think he has considerable authority over trade. My impression is that at present he is trying to let the Japanese run their trade as much as he can; but I think General MacArthur has complete authority.

The CHAIRMAN. He must have the over-all supervision of it.

Mr. MARTIN. Yes.

The CHAIRMAN. In some ways.

Mr. MARTIN. To help get the Japanese wool glove industry started again SCAP subsidized them.

The CHAIRMAN. All right.

Senator MILLIKIN. Off the record.

(Discussion was had outside the record.)

Mr. VONDERAHE. We think it unfair to keep the domestic industries in the dark and regret that we are denied information as to the decision on our product. Even if the decision is unfavorable, the information would be helpful because we could make our business plans accordingly.

In other countries, the governments place more trust in their citizens. In most countries the governments fully inform their businessmen of their intentions; frequently, the businessmen are members of the negotiating delegations.

In that connection, I have here a copy of a letter from the British Board of Trade to Mr. Walker, the president of the British Association of Glove Manufacturers, and I will read an exerpt from it. It has to to with an application filed before CRI.

> The position so far as Torquay is concerned is that it is not possible for us to do anything there about paragraph 1114 (b) of the United States Tariff unless the United States delegation initiates action under article XXVIII of the General Agreement on Tariffs and Trades as requested of the CRI brief of the 17th of November. * * * Our delegation at Torquay have been fully briefed on this whole problem, and you may be sure that they will take all action open to them to assist your members in this difficult situation. I have also sent these details to the British Embassy at Washington so that they may be fully aware of the position.

Senator MILLIKIN. Your point is that insofar as other countries are concerned, the delegations are in constant liaison as these negotiations proceed with the businessmen of these countries?

Mr. VONDERAHE. Definitely.

Senator MILLIKIN. And your point is that that is not the case where the United States is concerned?

Mr. VONDERAHE. That is right. That is the point concerned.

Senator MILLIKIN. Would it be correct to state that on the contrary, the United States delegation, perhaps alone among all the others, repels advances of the American businessmen who offer advice during the course of these negotiations?

Mr. VONDERAHE. Unfortunately, that has been our experience.

Senator MILLIKIN. You say that has been your own experience?

Mr. VONDERAHE. Yes.

Senator MILLIKIN. Thank you.

Senator KERR. Did I understand you to tell the committee that your industry likes the attitude of the British Government with reference to its enterprise system better than you do the attitude of your own Government?

Mr. VONDERAHE. Well, we like the interest that they take in the individual problems of each of the industries.

Senator KERR. Does that constitute an affirmative answer to my question?

Mr. VONDERAHE. I don't think that we take a general view of their attitude toward their industries, but in the specific case of taking their businessmen into their counsel and into their confidence in the negotiations, I think that we would like more of that in our own Government, sir.

Senator KERR. Does that constitute a partially affirmative answer to my question?

Mr. VONDERAHE. If I understand you correctly, I believe so.

Senator KERR. Now, if I understand the gist of your statement, it is the action of the British Government in this regard is conducive to the development of private enterprise?

Mr. VONDERAHE. British private enterprise; yes, sir.

Senator KERR. Private enterprise. Is British private enterprise different than American private enterprise?

Is private enterprise the same, whether it is British or American?

Mr. VONDERAHE. I believe that it is, sir.

Senator KERR. Then, would the answer to that question be "Yes"?

Mr. VONDERAHE. I wonder if the original question would be repeated. I am afraid I am a little confused on the original question, Senator.

Senator KERR. I tell you, if you would just listen to the question and answer it before you made a speech on it then you would remember what it was when you got ready to answer it.

Mr. VONDERAHE. I am sorry, sir.

Senator KERR. Is it your opinion that the British action in this was more conducive to private enterprise than the action of the American Government?

Mr. VONDERAHE. In this particular case, I believe so; yes, sir.

Senator KERR. Is this particular case, in your opinion, illustrative of the attitude of the British Government toward their private enterprise insofar as you know?

Mr. VONDERAHE. I must plead ignorance of their general attitude. I only know of their attitude in this particular case as it applies to us, sir.

Senator KERR. In other words, then all that you know about their attitude is what you have learned by reason of what they have done in this particular regard?

Mr. VONDERAHE. That is right, sir.

Senator KERR. Now, you have made the statement: "In other countries the governments place more trust in their citizens."

Is the example you have given us the documentation for that statement?

Mr. VONDERAHE. Yes; I think this is an excellent example of what we are talking about, sir.

Senator KERR. But, now, as I understand it, your attitude with reference to this is not that of offering it as an example of what the Government does, because I thought you said this was all that you knew about their attitude; that you did not know whether this was generally true or whether their attitude was limited to this one specific instance?

Mr. VONDERAHE. Well, knowing of this one specific instance, sir, we think that it reflects a good attitude towards their own industry, and we like it.

Senator KERR. Now, then, you are telling me, as I understand it, that you think this is an example of their attitude, and that, therefore, the conclusion from that would be that their attitude is more conducive to the development of private enterprise than ours.

Mr. VONDERAHE. Perhaps I should say, sir, that I think this one specific case looks like a good example to us, and this is the only one I know about.

Senator KERR. Do you get the impression that this is an example of the general attitude or an exception to the general attitude?

Mr. VONDERAHE. I am afraid I do not know the answer to that, sir.

Senator KERR. Then, I go back to your statement where you said, "In other countries the governments place more trust in their citizens," and I ask you what other example you have to corroborate that declaration other than the one you have given us?

Mr. VONDERAHE. In discussion with the representatives of—rather with the representatives of this industry from other countries?

Senator KERR. What other countries?

Mr. VONDERAHE. Well, for one, I think of France; I think of Switzerland.

The CHAIRMAN. You are not familiar with the tariff-making process in England, France, and Switzerland, are you?

Mr. VONDERAHE. Only very generally, sir.

The CHAIRMAN. You do not know to what extent it is purely an executive process, do you?

Mr. VONDERAHE. I do not, sir.

The CHAIRMAN. All right.

Senator MILLIKIN. Your definition of trust would take in the willingness of the representatives of the government charged with making these negotiations of taking into their confidence businessmen who are supposed to know something about their business; is that not correct?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. That is what you mean by trust?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. I may say—perhaps it may be helpful to you—that in the records of the past here it has been developed by State Department witnesses that it is a part of the State Department policy to repel interest on the ground that business interests of this country

have the natural desire to protect their interests in those negotiations. I hope you keep your flag flying on what you have said.

Mr. VONDERAHE. Thank you.

Senator MILLIKIN. Because the record sustains you.

Senator KERR. Now, then, do I understand that the basis for the statement you have made here is that which has been given to you by the Senator from Colorado?

Mr. VONDERAHE. While the Senator from Colorado was talking, sir, I thought about perhaps the best case that we do definitely know about, which is the case of our neighbor, Canada.

Senator MILLIKIN. That is the difficulty, Senator; when I talk people think about other things.

Senator KERR. I think the Senator from Colorado is not only one of the ablest in asking questions, but probably the ablest in answering them of any man ever on the committee.

Senator MILLIKIN. I have given you, I do not say an able answer but a truthful one.

The CHAIRMAN. Did you appear before the Reciprocity Committee?

Mr. VONDERAHE. Yes, sir.

The CHAIRMAN. Did you come down here?

Mr. VONDERAHE. Yes, sir.

The CHAIRMAN. Did you have your "say-so" then?

Mr. VONDERAHE. Yes, sir.

The CHAIRMAN. Did anybody stop you?

Mr. VONDERAHE. No, sir; but the fact that our own negotiating team not having brought up possible relief under article XXVIII at the Torquay conference indicates that no action whatever was taken.

The CHAIRMAN. You wanted to follow the thing up then, until something is done under it; is that the idea?

Mr. VONDERAHE. I expect so.

The CHAIRMAN. I see.

Mr. VONDERAHE. I will develop it a little further in my statement.

Senator MILLIKIN. After you had presented your case at a public hearing at that time, were you advised of the contemplated concession that might be made?

Mr. VONDERAHE. No, sir.

Senator MILLIKIN. All you were told is that there might be a concession; is that not correct?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. So, at that point, you had no definite target which you could either approve or disapprove of, is that not correct?

Mr. VONDERAHE. Only the filing of the application.

Senator MILLIKIN. And from that moment on, from the moment that the case passed into the bosom of the committee that heard you, you knew nothing whatever about what was going on?

Mr. VONDERAHE. That is correct.

Senator MILLIKIN. The whole process from that moment was surrounded in secrecy, was it not?

Mr. VONDERAHE. That is right, sir.

Senator MILLIKIN. Yes.

Mr. VONDERAHE. The only thing we have heard about that case since then is from the British, who deplore that no action has been initiated by the United States delegation.

The CHAIRMAN. I would like, however, to get this in the record. You knew there was going to be a hearing down here at Washington, you had some information about that?

Mr. VONDERAHE. We had applied for the hearing, sir.

The CHAIRMAN. What is that?

Mr. VONDERAHE. We applied for the right to be heard, and we were heard.

The CHAIRMAN. You were heard?

Mr. VONDERAHE. Yes.

The CHAIRMAN. You filed a brief?

Mr. VONDERAHE. Yes, sir.

The CHAIRMAN. All right.

Mr. VONDERAHE. The industry asks that Congress make a thorough review of the trade-agreements program to determine its effect on our domestic economy as well as its proper place in our foreign relations. This country's tariff rates have now been reduced so far that they are, on the average, among the lowest in the world. Imported goods are now sold throughout the land, and some of the largest advertisements in our magazines extol the merits of foreign merchandise. In this connection it is interesting to note that, in almost every instance in our field, it is the lower price of the imported product that is emphasized.

In spite of all that may be said to the contrary before this committee, it is really to you that small industries like ours must turn to see that our interests are protected.

Our industry is not against foreign trade or trade agreements as such. We believe in trade, but we do not believe that our industry, or most small industries, can survive unrestrained competition from low-wage countries. Furthermore, we are convinced that it will not, in the long run, be to the advantage of the American people to be dependent upon foreign sources for their supply of wool gloves and mittens.

At present a large part of our glove production is for the military and imports from Japan are supplying most of the civilian demand. Japan's proportion of the total is increasing rapidly. Without adequate protection the domestic industry can never regain entry into a lost civilian market. Without a substantial part of the civilian market, the industry cannot continue to exist.

In that connection, we have prepared a graph to show the over-all production in red, American production, and to show for 1936 and from 1946 through 1950 the foreign imports as compared to American production. You will note here the blue block, the ascendancy of imports, most of which are Japanese, in proportion to the total American production.

Because of the concessions on gloves granted to secondary sources and other recent indications that the State Department is veering away from the "principal supplier" rule previously accepted as fundamental, a brief review of the rule seems in order.

Senator TAFT. Can you tell us what the tariff is now?

What is the tariff? What are the rates, the statutory rates?

Mr. VONDERAHE. Up to $4, it is 50 percent ad valorem, plus 37½ cents a pound specific, and over $4, it is 25 ad valorem and 37——

Senator KERR. What do you mean by over $4?

Mr. VONDERAHE. Per dozen. Those are the major classifications under which they are now coming in.

Senator TAFT. Is that the statutory rate, or is that the rate after the reduction?

Mr. VONDERAHE. That is the rate after the reduction.

Senator TAFT. The rate after the reduction. What is the 50 percent statutory rate?

Mr. VONDERAHE. It was reduced from 50 to 25 in the over-$4 class.

Senator TAFT. That is the main reduction, in the over-$4 class?

Mr. VONDERAHE. That is correct, sir.

Senator TAFT. Has there been a reduction in the under-$4 class?

Mr. VONDERAHE. There has been a reduction there, too.

Mr. MARTIN. The rate was reduced in the specific part of the duty, Senator. The ad valorem duty was retained, but the specific part of the duty, the compensatory part, was reduced.

Mr. MOSS. The major report of all imports come in under the "embroidered" classification. That takes 90 percent duty now. It was 70 under the Chinese Agreement. When that agreement was abrogated, the President proclaimed the rate in effect again at 90 percent. It is now 90 percent ad valorem with no specific.

Senator KERR. The present rate is now 90 percent of what value?

Mr. MOSS. Of the foreign value of the gloves, the embroidered gloves. That is the principal import category.

Senator KERR. What is the statutory rate on that?

Mr. MOSS. I beg your pardon, sir?

Senator KERR. What is the statutory rate on that?

Mr. MOSS. It was 90 percent in the 1930 Tariff Act, and is today again.

Senator KERR. Then, there is no concession on that?

Mr. VONDERAHE. There had been made to China, but when Red China abrogated the treaty, it was restored by proclamation.

Senator KERR. At this time, there is no concession on that.

Mr. VONDERAHE. That is correct.

Senator KERR. Did I understand you to say that with reference to other imports there was a different tariff and a different rate by concession?

Mr. VONDERAHE. Yes, sir.

Senator KERR. I must say that I did not get this. You do not mind repeating the answer you made to Senator Taft, do you?

Senator TAFT. I did not get it very well, either.

Mr. MARTIN. May I handle this, Senator Taft?

Senator TAFT. Yes.

Mr. MARTIN. Thank you.

Senator TAFT. Under $4, first; what is the statutory rate under $4?

Senator KERR. Does that mean the value of the gloves?

Senator TAFT. Yes.

Senator KERR. Or is that the amount of tariff?

Senator TAFT. That is the value of the gloves, They are classified in two classes; one under $4, and one over $4.

The CHAIRMAN. $4 per dozen, I presume.

Mr. MARTIN. The value bracket valued under $1.75 a dozen, the statutory rate——

Senator KERR. This is under $1.75?

Mr. MARTIN. That is right. And when we say "value," we ordinarily mean the Japanese value. I will give you the exception to that rule in a moment. The statutory rate was 40 cents per pound. plus 35 percent ad valorem.

Senator KERR. 40 cents per pound?

Mr. MARTIN. Yes, sir.

Senator KERR. Plus what?

Mr. MARTIN. 35 percent ad valorem. Valued at more than $1.75 per dozen pairs, the statutory rate was 50 cents per pound plus 50 percent ad valorem.

Senator TAFT. Are those rates still in effect or are they now low?

Mr. MARTIN. It has gone both ways, Senator, but I would like to tell you the other statutory rate first.

There are two general classes. The plain gloves are the ones we just told you about, and the embroidered or otherwise embellished gloves were dutiable at the statutory rate of 90 percent ad valorem.

Senator KERR. The answer to that is that there is no concession in that classification?

Mr. MARTIN. That was the answer, Senator, but there are still concessions in effect, not describing gloves but describing wearing apparel. I want to tell you about that in a moment.

Senator KERR. All right.

Mr. MARTIN. Now, the lowest value bracket on plain gloves valued under $1.75—it was under that bracket that these big imports back in the 1930's entered. The industry got an investigation from the Tariff Commission of the cost of production, and the Tariff Commission found that to equalize the difference in cost of production the ad valorem rate of 35 percent had to be shifted from a Japanese-value basis to an American-selling-price basis, namely, the value of similar domestic gloves was taken and that value was applied to the imported gloves. The rate was left unchanged at 35 percent. That is the increase in duty that Mr. Vonderahe referred to as having saved the industry in the 1930's.

I would like to leave out the British Agreement of 1938 because it is not in effect now and it just complicates this already complicated story.

Senator KERR. In order that I may get it as you go along, what did that 35 percent ad valorem as applied to domestic value mean with reference to the foreign value?

Mr. MARTIN. The American value probably was 2½ to 3 times as high as the foreign value.

Senator KERR. Then, that meant they would be 40 cents a pound, plus something over 100 percent of the foreign value?

Mr. MARTIN. I think that is about right, Senator.

Senator KERR. All right.

Mr. MARTIN. Now, in the general agreement [GATT] the rates were reduced as follows: Under that lowest value bracket, under $1.75 a dozen, the ad valorem rate was cut in half to 17.5 percent but remained under American-selling-price basis. However, wool prices have gone so high that there just are not any gloves anywhere valued under $1.75 a dozen. So that bracket has no practical significance.

In the bracket $1.75 to $4 per dozen, the ad valorem rate was retained at 50 percent in GATT. The specific duty, the 50 cents per

pound, was reduced by one-fourth. That was in line with the reduction in the rate of duty on apparel wool negotiated at Geneva.

The ad valorem rate on gloves valued over $4 was reduced to 25 percent.

Senator KERR. From what?

Mr. MARTIN. It had been 50 in the tariff act, and it was cut to some intermediate point, Senator, in the 1938 agreement with the United Kingdom, and then it was reduced to 25 at Geneva. But that is the simple part of the tariff story that I have been relating to you.

The embroidering paragraph does get a little complicated. At Geneva a concession——

The CHAIRMAN. I understand the thing that troubles you now is the embroidered gloves.

Mr. VONDERAHE. That was true in 1950.

The CHAIRMAN. They are the ones that are coming in from Japan.

Mr. VONDERAHE. Yes.

Mr. MARTIN. I would like to cover that a bit, Senator. At Geneva a concession was made on the embroidered wool gloves, and the duty reduced from 90 to 70 percent.

Senator KERR. Is that a foreign value?

Mr. MARTIN. That is a foreign value, Senator, Japanese value.

As Mr. Vonderahe stated, in 1948–49 and 1950 most of the imports from Japan were in that embroidered class. Now, last year, when the United States took away that 70-percent rate on embroidered gloves, everyone thought the duty would revert to 90 percent, and it did, technically speaking, but here is what happened: The importers of gloves discovered that there were other descriptions in GATT for ornamented wearing apparel—for example, appliqued wearing apparel, with the chief value in wool. They found out wool gloves ornamented by applique, instead of embroidery stitches, would come in not at 90, not at 70, but at 50 percent. And it is under that class we expect the imports in 1951 to be concentrated. We have asked for withdrawal of that concession insofar as it applies to gloves, but I do not think our chances up to now have been very bright.

Now, there are also in GATT two or three other classes that could be resorted to if you stopped the class on applique. The importers could let the ends of the yarns stick out at the cuff of the glove and have a fringed glove under still another tariff class, or they could sew a little bit of net on the glove and have the glove come under net. So there are in GATT probably a half a dozen or more tariff classes that cover gloves. If you just take one away, a slight change in the construction of the glove brings it under another class. I am sorry the situation is so complicated, but there it is.

Senator TAFT. That gives us enough of a picture.

The CHAIRMAN. Yes, let's proceed with the statement.

Senator MILLIKIN. Now, despite these changes up and down, the imports have continued to increase?

Mr. VONDERAHE. Yes, sir, very rapidly.

Senator MILLIKIN. Until, according to that chart, they are what percent in 1950?

Mr. VONDERAHE. In 1950, slightly less than 40 percent of the total market.

Senator MILLIKIN. That was slightly less than 40 percent of the total market?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. As you move into military production, of course, your occupancy of the domestic field becomes less and their occupancy of the domestic field becomes greater?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. So at the end of whatever we want to call this we are in——

Mr. VONDERAHE. The defense emergency, sir.

Senator MILLIKIN. That is a very good way to put it. Some people call it war, a very vulgar expression.

At the end of the defense emergency you will find yourselves with the domestic market preempted by foreign importers of these goods; is that correct?

Mr. VONDERAHE. That is very true, sir.

Senator MILLIKIN. Thank you.

Senator KERR. Observing this graph, I notice in 1936 the imports had a considerably higher percentage of the domestic market than they did in 1950.

Mr. VONDERAHE. That is correct, sir.

Senator KERR. What percentage did they have in 1936?

Mr. VONDERAHE. Approximately 40 percent of the total market at that time, sir.

Senator KERR. Do you mean that 617 is to 743 the same as 719 is to 1,160?

Mr. VONDERAHE. It is slightly less.

Senator KERR. Well, as a mathematical equation, is it not a lot less?

Mr. VONDERAHE. I beg your pardon, sir?

Senator KERR. Is not 617 a considerably higher percentage of 743 than 719 is of 1,160?

Mr. VONDERAHE. It is something less than 50 percent of the total, Senator.

Senator KERR. And something more than 40 percent?

Mr. VONDERAHE. Slightly more, yes.

Senator TAFT. There were 15 million Americans out of work, were there not, in 1936?

Mr. VONDERAHE. Yes; conditions were very depressed, sir.

Senator KERR. Do you have the statistical data to give the unemployment in 1936 as 15 million?

Mr. VONDERAHE. No, sir.

Senator KERR. You do not have?

Mr. VONDERAHE. No, sir.

Senator KERR. Then your answer to that question was just an agreeable gesture on your part?

Mr. VONDERAHE. Yes, sir.

Senator KERR. All right.

The CHAIRMAN. All right, please proceed.

Senator MILLIKIN. And after you got the relief you speak of in the thirties, you commenced to restore your dominance in the domestic market; is that correct?

Mr. VONDERAHE. Senator, the war started then, and that changed the picture.

Senator MILLIKIN. I see.

Mr. VONDERAHE. Then there were very few gloves imported, and our business was, of course, very good.

Senator MILLIKIN. Thank you very much.

Senator KERR. You mean you did not import many gloves from Japan during the war with them?

Mr. VONDERAHE. There were not any gloves from Japan during the war with them; that is correct.

Senator KERR. I can understand that.

Senator MILLIKIN. We just imported the steel and brass and copper which we had previously exported to Japan, in a very unpleasant way.

The CHAIRMAN. All right, will you proceed.

Mr. VONDERAHE. Yes, sir.

THE PRINCIPAL SUPPLIER RULE

From 1934 until 1951 the officially stated policy of our Government concerning the trade agreements program was that tariff concessions were granted only to the principal suppliers of the particular products on which the duties were reduced. The rule was announced by the Ways and Means Committee in 1934 as follows:

> A survey of the situation indicates that almost every important commercial country is the principal supplier of certain articles to the United States. The reciprocity agreements will deal primarily with the articles of which the other parties to them are respectively the principal supplier to this country. (H. Rep. No. 1000, 73d Cong., p. 16).

The rule was necessary because of our policy of generalizing to all countries all duty reductions negotiated with a single country.

In its 1937 report, the Ways and Means Committee stated:

> The significance of the extension of these concessions to the trade of third countries is limited, however, by the necessarily accompanying policy followed in negotiating trade agreements, of granting concessions on those products only of which the other country is in each case the principal or an important supplier. (H. Rept No. 166, 75th Cong., p. 12).

In testimony before the Senate Finance Committee on April 2, 1947—just before the Geneva negotiations—Chairman Ryder of the Tariff Commission emphasized the importance and application of the principal supplier rule. (Hearings on Trade Agreements System and Proposed International Trade Organization Charter, pp. 600, 601).

In the rules of procedure for the Geneva negotiations it was stated that a country would be expected to grant concessions only to the principal supplier. However, it was further stipulated that consideration should be given to the probable disappearance of ex-enemy countries as suppliers of certain products. (Report of the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, p. 49).

Before World War II Japan had been the principal supplier of imported wool gloves in the United States. At the time of the Geneva negotiations Japan had not reentered this market. Accordingly, the rule regarding ex-enemy countries may have been deemed to supply a superficial basis for a concession to other countries. However, it is difficult to believe that anyone seriously thought that the Allies would forbid Japan to engage in the manufacture and export of soft goods like wool gloves.

In spite of this, the tariff was reduced on all wool gloves, the concessions being negotiated with the United Kingdom and China. The reductions took effect in 1948.

Japan immediately reentered the United States market and has been the principal supplier ever since. Even if we lump together imports from all GATT countries, the group can't be considered a principal supplier. Indeed, Japanese gloves have not only taken over much of the market for domestic gloves but have even taken over most of the market for specialties previously imported from the United Kingdom. Not only has our industry been badly hurt, but the country to whom the concession was granted has lost out.

And I have a chart here which I think quickly illustrates that, gentlemen. This shows in 1936 and 1946 through 1950 the ratio of imports from the various sources.

We negotiated the treaty with the United Kingdom and with China, and China later got out of GATT. You will see that Britain enjoyed the major part of the market until the negotiations, until the tariff was reduced as a result of the 1937 negotiations at Geneva. She was the principal supplier of imported gloves up to then. When the concession was made Japan took over, and you will note that the British imports have gone down to almost nothing—nine-tenths of 1 percent in 1950.

Senator KERR. Could that possibly have been caused by the reassertion of Japan as a trading country instead of a warring country?

Mr. VONDERAHE. The reassertion, sir?

Senator KERR. The reestablishment. What about 1936—did not Japan dominate the market then?

Mr. VONDERAHE. Yes, sir.

Senator KERR. In other words, she dominated it before the war?

Mr. VONDERAHE. Yes, sir.

Senator KERR. And then after the war, after she got out of the war and reestablished trade relations, she just reestablished the position she had had before the war, did she not?

Mr. VONDERAHE. That is correct, sir.

Senator KERR. Do you not think that had much more to do with the fact that she reestablished herself than the negotiations had to do with it?

Mr. VONDERAHE. The tariff cuts were very important, sir.

Senator KERR. What were they in 1936?

Mr. VONDERAHE. The original rate as Mr. Martin quoted it.

Mr. MARTIN. In 1936, the Tariff Act of 1930 rates were still applicable at the beginning of the year. I think it was about spring that the tariff was increased as we discussed a short while ago, by basing the ad valorem part of the duty on the American selling price. Except for that, up to then the Tariff Act of 1930 rates had not been altered.

Senator KERR. I would like to ask the witness one more question. Can you give me the number of men employed in your industry in 1936?

Mr. VONDERAHE. Men and women?

Senator KERR. Whatever you employ—the number of employees.

Mr. VONDERAHE. I would like to call on our secretary for that. Do you have that information?

Mr. MOSS. That would be about 2,000, Senator.

Senator KERR. What was it in 1947?

Mr. MOSS. About 3,000, sir.

Senator KERR. About 3,000?

Mr. MOSS. Yes.

Senator KERR. Thank you.

Senator MILLIKIN. Mr. Chairman. You would not know the number of employees in Japan or in Great Britain, would you, on the same two dates, supplying the American market?

Mr. MOSS. I do not have any idea, sir.

Senator MILLIKIN. Do I understand your point correctly, that we made our agreement with the wrong country as principal supplier?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. That the agreement should have been made with Japan instead of Great Britain?

Mr. VONDERAHE. If there was an agreement, it should have been made to a principal supplier.

We called these facts to the attention of the Committee for Reciprocity Information, asking for withdrawal of the concessions on the low-priced gloves imported predominantly from Japan. It seemed to us a natural case for action under article XXVIII of GATT but we have been unable to learn whether our petition was favorably received.

Now, in 1951, the rule of principal supplier is being further watered down. In his presentation to the Ways and Means Committee on January 22, 1951, Secretary Acheson offered a memorandum entitled "How a Trade Agreement is Made." In this, the State Department suggested that it would not necessarily follow the principal-supplier rule. It suggested that articles would be included in negotiations even though the other country was not the principal supplier—products which are, for undefined reasons, of particular interest to the other country (hearings before the Committee on Ways and Means on H. R. 1612, 82d Cong., p. 8).

By incorporating that memorandum in its report, the Ways and Means Committee might be considered to have approved this departure from the fundamental rule (H. Rept. No. 14, 82d Cong., p. 7). I appeared before the Ways and Means Committee, but had no knowledge of the new rule until the record was printed and so had no opportunity to comment on it. I take this opportunity to disagree with the new rule and to express the fervent hope it does not mean our case has been given the "brush off" and also I hope that in the future other industries will not be treated as ours has been.

Senator MILLIKIN. Mr. Chairman, is it not correct that if you do not make the concession with the principal supplier you distort the whole relationship out of economic reality? Is that not correct?

Mr. VONDERAHE. I believe so. I believe that this case here [indicating] illustrates that very well.

Senator MILLIKIN. So I mean you are not just talking of theory.

Mr. VONDERAHE. That is right.

Senator MILLIKIN. You object to the departure of the principal-supplier rule because if you depart from it you are making concessions to a country which will control all of the countries, where that country may not be the worst competitor that we have; is that correct?

Mr. VONDERAHE. I believe that is correct, sir.

Senator MILLIKIN. Yes.

Senator TAFT. A specific case is roller bearings, where they first reduced the tariff in the treaty with Sweden, who is the principal

competitor, and then proceed to reduce it further in the British agreement, where they have just one plant. But the result of applying the reduction which was proper for Britain to Sweden meant that the Swedish people were well under the American costs.

Senator KERR. I did not understand, Senator.

Senator TAFT. When they made the Swedish agreement, they can only make a small reduction because the Swedish wage rate was so much lower than ours it only justified a small reduction. Then they came along in the British agreement where the wage rate was higher than the Swedish, and therefore they could make a bigger reduction in the tariff, and the effect of the British agreement was to give the British rate to the Swedes.

Senator KERR. The favorite nation clause.

Senator TAFT. And the Swedes thereby were reduced in their cost well below the American costs, and they were the principal supplier. That is a case like this.

Mr. VONDERAHE. It is similar.

If our case has been rejected, we wonder which of the contracting parties has such a "particular interest" in retaining the duty cuts on the cheap wool gloves imported almost entirely from Japan. Surely it could not be the United Kingdom which has lost to Japan most of its trade in gloves shipped to this country. Then could it be Communist Czechoslovakia which in past years has supplied some gloves to this market?

Senator KERR. Suppose you answer that question. How much do they furnish?

Mr. VONDERAHE. Their imports now are very small. In the past, at times they have been considerable. Before the war they were a factor, a definite factor.

Senator KERR. Then what would you say the answer to the question is?

Mr. VONDERAHE. We are looking for the answer to the question, Senator. We are wondering.

Senator KERR. If Czechoslovakia is not shipping anything in to us, then the answer to that question would be indicated as "No," would it not?

Mr. VONDERAHE. We do not know. We do not know.

Senator KERR. But they are not shipping anything in?

Mr. VONDERAHE. At the moment they are not, very little.

Senator KERR. Did they a moment ago?

Mr. VONDERAHE. I beg your pardon, sir?

Senator KERR. Did they a moment ago?

Mr. VONDERAHE. In past years they have shipped something in.

Senator KERR. Did they last year?

Mr. VONDERAHE. Very few.

Senator KERR. Are they now?

Mr. VONDERAHE. I do not know, sir. I have not seen or heard recently.

Senator KERR. Do you know that they are?

Mr. VONDERAHE. I do not, sir.

Senator MILLIKIN. Mr. Chairman, may I ask the witness—you know, do you not, that we maintain a trade agreement with Czechoslovakia even though Czechoslovakia is behind the iron curtain?

Mr. VONDERAHE. Yes, sir.

Senator MILLIKIN. You are aware of the fact that there is a proposed amendment in the bill before us that deals with situations of that kind?

Mr. VONDERAHE. Yes, sir.

Senator KERR. Suppose you tell me what it is.

Mr. VONDERAHE. Perhaps I misunderstood, but I thought it might have some connection with the fur hat case.

Senator MILLIKIN. The proposed amendment I am referring to is an amendment which would end our concessions to countries behind the iron curtain.

Mr. VONDERAHE. Oh, yes; the House amendment; yes, sir.

Senator KERR. You would not be opposed to that?

Mr. VONDERAHE. I beg your pardon?

Senator KERR. You would not be opposed to that amendment?

Mr. VONDERAHE. No, sir.

Senator KERR. All right.

Mr. VONDERAHE. The wool glove industry respectfully requests the Finance Committee to take some positive action rejecting the proposed departure from the principal supplier rule. If the change is allowed to stand the Congress should thoroughly reexamine our policy toward generalization of concessions. We hope the change will not be permitted to stand.

In circumstances such as those faced by the wool glove industry there appear to be only two possible avenues of approach. Either we must obtain relief under article XXVIII of GATT or through the escape clause. This committee has heard much about the escape clause but very little about article XXVIII. I would like to go into that phase of the agreement for a moment.

Article XXVIII of GATT: The official analysis of GATT aptly and briefly describes article XXVIII which provides for withdrawal or modification of concessions after January 1, 1951. The analysis reads as follows:

Article XXVIII—Modification of Schedules

Since all parties to the agreement are legally entitled to each of the concessions listed in the schedules, modification of a concession would normally require unanimous agreement among all of the parties. Article XXVIII is designed to introduce a desirable measure of flexibility so as to facilitate any needed adjustments of tariff rates after an initial period of 3 years. It provides that after January 1, 1951, any party which has granted a concession on a product may modify that concession by obtaining the agreement, not of all the parties, but only of that party with which the concession was initially negotiated. There must, however, be consultation with other parties having a substantial interest in the concession. If agreement on the proposed modification cannot be reached, the country desiring to modify or withdraw the concession may nevertheless do so, in which case the country with which the concession was negotiated, together with other parties having a substantial interest in the concession, may withdraw substantially equivalent concessions initially negotiated with the party taking the action (Department of State Publication 2983, pp. 204, 205).

Note particularly that this article is designed for flexibility and to facilitate needed adjustments after an initial 3-year period. Also that action does not require agreement of all the parties—but only of the party to which the concession was granted.

The Torquay conference is expected to advance the date in article XXVIII to 1954 which will mean that concessions cannot be withdrawn thereunder until three more years have elapsed. For that

reason, we asked for immediate withdrawal of the concessions on low-priced gloves before the new date was made effective.

As stated above, we thought our case was a "natural" for action under this article since the concessions on our products were operating in opposition to the fundamental principle of the program.

Some member of this committee may ask, as did a member of the Committee for Reciprocity Information, why we do not try to secure relief under the escape clause. The answer is that we did file an application in the summer of 1949 when we knew from our contacts in the trade and from the occupation authorities in Japan that imports from Japan would be large. In November the Tariff Commission decided to defer action pending accumulation of further data on the actual trend of imports.

In 1950, hoping for relief because of China's withdrawal from GATT, we asked that the application be continued in abeyance. Once of the concessions to China has since been taken out of effect, but others still remain in force. Recently we have asked for reactivation of our escape clause application but are not too hopeful of success under present procedures.

Recent information concerning the escape on fur-felt hats has confirmed our view that article XXVIII is a more desirable procedure than the escape clause.

In October 1950, announcement was made that the concessions would be withdrawn effective December 1. It was also stated that the other contracting parties had been notified of our decision and that consultations were being held.

Shortly, the press reported from Torquay, England, that Czechoslovakia—not the United Kingdom to whom the concessions had been granted—had accused the United States of violating GATT. Particulars of the charges were not made public but the Czech contentions must have been taken very seriously because they are still being considered.

At the time of the press announcement, the contracting parties of GATT were in session at Torquay. They remained in session for 2 months thereafter but were unable to resolve the dispute. They adjourned shortly before Christmas, leaving the matter to be considered by an intersessional working party which will report to the sixth session of the contracting parties scheduled to open September 17, 1951, in Geneva, Switzerland.

We consider that tariff concessions which fail to result in "mutually advantageous arrangements" as contemplated by the preamble of GATT can be better terminated or adjusted under article XXVIII than under the escape clause. Under the former, agreement is required only of the country with which the concession was negotiated. Under the latter, one is likely to be accused of law-breaking, with almost endless discussions resulting from the accusation. And all this is entirely apart from the uncertainties as to whether a domestic industry can succeed in getting an investigation ordered and have the findings of injury made.

Since the industry cannot survive without tariff protection, we will press for action under the escape clause or any other available procedure if our application for relief under article XXVIII is turned down. But it would be encouraging if the Government would follow the most logical course rather than asking the industry to proceed on

every possible approach—and without a basis for hope that any of them will yield worth-while results.

Conclusion: At present, as we have indicated, the industry has the blind hope that it can get relief under article XXVIII. We do not see how the Congress can help in this particular endeavor unless it were to direct that the date of January 1, 1951, in article XXVIII be left unchanged. However, if we do not get relief under that article, we will need to press for action under the escape clause and we believe the procedures thereunder should be strengthened. We further believe that thorough analysis by the Congress of the whole trade agreements program would be desirable.

Specifically the industry requests: (1) That the administration of the escape clause be provided for in the law and so strengthened that (*a*) industries can actually get investigation of their cases, and (*b*) the reasons for disposition of the cases are required to be publicly reported. The provisions of the House bill need technical amendments but in principle seem adequate for this; the committee might also consider whether investigations should be required pursuant to congressional resolution.

(2) That provision be made for a thorough congressional review of the program and its results, in order that the report on this review will be available when the act again comes up for congressional action.

The action we have recommended will, in a sense, reemphasize the policy of reasonable tariff protection on which we believe most Members of Congress are in accord.

Then, Mr. Chairman, we include as suggestions some corrections in the amendments as offered, which are much the same as Mr. Martin offered yesterday. I will not go into details on it. We have merely made them an appendage of our report.

Senator MILLIKIN. Are there any differences here from your explanation yesterday, Mr. Martin?

Mr. MARTIN. No differences, Senator.

(The amendments submitted by Mr. Vonderahe are as follows:)

H. R. 1612, EIGHTY-SECOND CONGRESS—AMENDMENTS PROPOSED BY WOOL GLOVE INDUSTRY

On page 6, line 13, after the word "section", insert "or in article XIX of the General Agreement on Tariffs and Trade".

On page 7, line 8, after the word "make", insert "public".

On page 7, line 10, after the word "facts", insert "and reasons".

On page 7, line 14, after the word "shall", insert a comma and the words "without excluding other factors,"

The CHAIRMAN. All right, if there are no further questions, you may be excused.

Mr. VONDERAHE. Thank you, Mr. Chairman and gentlemen.

The CHAIRMAN. Thank you, sir, for your appearance.

Mr. PATRICK MCHUGH. You may be seated and identify yourself, please, for the record.

STATEMENT OF PATRICK McHUGH, SECRETARY-TREASURER, ATLANTIC FISHERMEN'S UNION

Mr. MCHUGH. My name is Patrick McHugh, secretary-treasurer of the Atlantic Fishermen's Union, American Federation of Labor.

The Atlantic Fishermen's Union is an affiliate of the American Federation of Labor and represents, as its name implies, fishermen of the Atlantic seaboard, but more particularly of New England.

Most of the seagoing trawlers out of Boston, Gloucester, and New Bedford are manned by our members.

Any legislation that affects our fishing industry of the Atlantic for good or bad affects us. One of the vital problems confronting this industry is import competition from Canada and Iceland, from which fresh and frozen fillets of groundfish have come into this country in ever-increasing quantities in recent years.

Senator KERR. What do you mean by "groundfish"?

Mr. McHUGH. They are called groundfish, because they are caught on the bottom of the ocean rather than on the top like mackeral. I mean, the groundfish, so-called, are caught at the bottom as haddock and flounders, whereas the mackeral and sardine are surface fish.

Senator KERR. Thank you.

Mr. McHUGH. The record volume was imported in 1950 when over 60,000,000 pounds were shipped in. This represented over 30 percent of our total consumption in this country.

I think I should add that just before the war the imports were only 9,000,000 pounds.

For this reason, we are greatly interested in H. R. 1612 as amended by the House. We have for several years made every effort to find some remedy for the threat offered to our industry by these heavy imports. The present tariff rate is only 1⅞ cents per pound on imports up to 15 percent of our domestic production, and 2½ cents on all imports over this amount.

Senator KERR. What is the wholesale price of these fish?

Mr. McHUGH. Well, our dealers tell us that they get around 25 or 26 cents. They are the wholesalers that sell out throughout the country from the port of Boston.

Senator KERR. They are the ones that have to compete with the importer?

Mr. McHUGH. Yes; they have to compete directly.

Senator KERR. Does the importer sell to the same customer that your dealers sell to?

Mr. McHUGH. Oh, yes; he sells if he can.

Senator KERR. I understand, but that is where he seeks to sell?

Mr. McHUGH. That is right.

Senator KERR. So that actually above 15 percent is about a 10-percent tariff?

Mr. McHUGH. I beg your pardon?

Senator KERR. Above 15 percent, it is 2½ cents a pound tariff?

Mr. McHUGH. Yes; that is right.

Senator KERR. And if the average wholesale price is 25 cents, that amounts to about 10 percent.

Mr. McHUGH. Yes.

Senator KERR. All right.

Senator MILLIKIN. What does the fisherman get for these fish?

Mr. McHUGH. It varies from day to day, sir. It may go down as low as 4 and 5 cents. It may up as high as 10 or 15. If the market is abnormally short on a certain day, it might reach 20 just for a day.

Senator MILLIKIN. Is there any normal mark-up between what the fisherman gets and what the wholesaler gives him?

Mr. McHUGH. From what they tell us repeatedly, all through the years, if they can make a cent a pound or 2 cents—I think that is true. They consistently have said that they make about a cent, or a cent and a half, or 2 cents a pound.

Senator MILLIKIN. Thank you.

Mr. MCHUGH. In 1950, the imports at 2½ cents exceeded those at 1⅞ cents by a very considerable margin. The following table will show the quantity of imports at the two tariff rates in recent years:

(The table referred to is as follows:)

Year	Domestic production	Imports	Percent of production	Imports at 1⅞-cent rate	Imports at 2½-cent rate
	Pounds	*Pounds*		*Pounds*	*Pounds*
1947	119,000,000	35,093,000	29.5	23,906,000	11,087,000
1948	154,000,000	53,963,000	35.0	24,930,000	29,033,000
1949	140,078,000	47,322,000	33.8	26,881,000	20,441,000
1950 (11 months)	138,941,000	61,743,000	44.4	23,249,000	38,494,000

Mr. MCHUGH. It is obvious from these figures that the higher rate of 2½ cents per pound does nothing to halt the increase in imports. The fact is that the price of fish has risen so greatly since 1930, when the 2½-cent rate was set, that the protection offered by the rate has fallen to a low level. It represents about 12 percent of the value of the product. This is a small margin when we consider how much lower the earnings of fishermen are in Canada—mostly Newfoundland and Nova Scotia—and Iceland, than here.

The situation that has developed can be set forth briefly as follows: Unless measures are taken very soon to protect the New England fisheries, they will decline while Canada and Iceland take our market.

With the filleting of fish, by which 60 percent of the shipping weight is eliminated, and the freezing of the product so that it can be shipped great distances without danger of spoilage, the Canadians and Icelanders, as well as others, are able to ship into this market and compete with our own fisheries. The only present limitation to this competition lies in the size of the fishing fleets in those countries. If they can be assured of this market indefinitely under present tariff rates and no limitation on the volume that they can ship here, they will expand their fishing operations and their filleting plants from year to year and dispose of their increased output in our market as an assured outlet.

Now, I would like to read from a Canadian magazine here. [Reading:]

In a recent statement by the Federal Department of Fisheries, Canada's Atlantic coast trawler fleet is rapidly expanding and could be increased by as many as 28 vessels during the next few months. The Department said that expansion was possible as a result of easing of trawler license restrictions. Under this new policy licenses will be granted in the future to trawlers built in Britain for the Canadian fishery industry. In the past licenses were issued only to those built in Canadian shipyards. Seven trawlers are presently being built in Canada and three in the United Kingdom, and all are in the large class. This Canadian construction allows for licensing an equal number of second-hand trawlers purchased in either the United States or the United Kingdom. Under this building program the trawler fleet will be increased by 10 vessels and licenses could be obtained for seven more. The fishing industry is also considering the construction of two more trawlers in Canada and seven in Britain.

Now, in addition to that, Newfoundland is building four, and I believe I am reliably informed they have had one built in England and are having four more. And one of our architects in Boston is designing four more for some interest down around the Gulf of St. Lawrence. So, all in all, it is right today destroying our industry.

We have lost out—losing in Boston a little more than 30 boats since 1947.

Now, those 30 boats would approximately land the same amount of fish if they were operating today that has been sent in by those Canadian imports. And only lately, and even last night, Gorton Pew informed me that they were moving down; they are building a plant in Lunenburg, and they are building some trawlers down there. They told me a few weeks ago they didn't expect it would be very long before they would not be operating any vessels out of this country at all. Other fishing countries have taken plants down there, and are on the move.

Senator KERR. Down where?

Mr. McHUGH. In Nova Scotia and Newfoundland, and getting trawlers built there.

Senator TAFT. Down east.

Senator KERR. I drove from Boston to Gloucester—is that what you call that?

Mr. McHUGH. Yes.

Senator KERR. I thought I drove up to Gloucester.

Mr. McHUGH. It is according to how you look at it.

You see, when we say we have over 30 boats out of Boston, that was—well, it is down to this: Today, we have about 46 boats, where before the war we had more than 100.

Senator KERR. Tell me this: What is the situation of the supply of the fish available in our waters?

Mr. McHUGH. Well, of course, the supply, the banks, are becoming depleted, and we have signed, recently, signed a conservation treaty with the 10 other nations who fish the Northwest Atlantic. Of course, part of our problem is due to the fact that the Canadians, that is, Newfoundland we will say—and Iceland, for that matter—are much handier to the grounds than we are. In other words, we have to steam from 500 to nearly a thousand miles to reach the same grounds they only have to go from a hundred to possibly 400 miles to reach.

Then, their fishermen don't get near the wages that we do. Our owners pay off the men on a 60-percent basis, whatever the catch may be. That is used to pay the men and pay expenses. Whereas, the Canadians pay them off on a 37-percent basis, and after the deduction of some expenses.

Another thing: There is no rule or regulation down there. I mean the boats will come in, in the morning. They are out probably a week or 10 days. They will take their fish out, and they are bound out again that night. And when they are on the grounds there isn't any watch like we have. At least we have a 6-and-6 watch. Our men work 12 hours a day. Some of them work 18. That is in our agreements with the owners. Down there, there isn't anything like that. And we do have a couple of days home, but those people haven't anything.

Now, the prices—I have some Canadian prices here which I would like to read, if I can pick them up. I forgot to bring them up with me. May I get them?

The CHAIRMAN. Yes, sir; you may pick them up.

Mr. McHUGH. Now, here is what we are faced with. On large cod in Canada, ex vessel, that is, right off the vessel, the average price

was about 4 cents. This is December 11, 1950. The average price in Boston was around 15.

Now, the very smallest, that is, the cheapest, what we call scrod cod, was 1 cent a pound to a cent and a half in Canada. Boston was 6 cents.

Haddock, which used to be our staple fish down there, runs from 4 to 6 cents a pound. Boston is a little better than 13 cents a pound, and the scrod haddock, which is now our major production, from 1 to 2½ cents a pound, and in Boston it is 7 cents, and so forth.

Pollock is 1 cent a pound to a cent and a half. In Boston, it is 4½.

Hake is 1 to 1½ in Canada and 2 cents in a couple of places there, and in Boston it is 6, and so on.

Now, in order to make 1-pound fillets, which is shipped in here, which is practically all of your industry today, it takes 2½ pounds of groundfish. So, if they can buy, let us say, a scrod haddock, which is our big item, at 2 cents a pound, that makes it 5 cents a pound off the Canadian vessel. Allowing 3 cents for packing, which I do not think costs that much, would make it 8. Allowing a cent a pound freight, that is 9. Allowing, say 2½ cents duty, that is roughly 11½ or 12 cents a pound. Take that same fish in Boston, 7 cents a pound. It is automatically about 17½ cents ex vessel. Then, add on, I would say, at least 4 cents for labor—if the Canadians have three— and that would make it better than 20 cents. And then your freight. There is no possible way that we can compete with them. They have an advantage at least I figure of about 10 cents a pound.

Now, at the same time, when this fish comes on our market, it isn't sold at 10 cents a pound less. I mean our consumer is not getting the benefit. We have found, and the dealers have repeatedly told us, if they sell for 26, the Canadians will come in at 25 or 24. So that they are making a good thing.

But I say this: At least the fishermen in this country are getting a half-decent break. But the gentlemen who are really getting the dough down there are the big fish companies: the fishermen aren't—and how they can exist or make a living at a cent to three cents a pound is beyond our knowledge, because there could not be a boat that could operate out of New England even at 5 cents a pound.

Senator KERR. Now, the Canadian fishermen get 37½ percent of 1½ cents?

Mr. McHUGH. Well, you see, they come in, say, with 200,000 pounds of fish, and say the average is 3 cents. That would give $6,000 stock as we call it. Well, the crew would get 37½ percent; that is, its owner would pay the men on that basis.

Senator KERR. In this country they would get 60 percent?

Mr. McHUGH. On that $6,000, they would get 60 percent and pay all the expenses, which might run as high, say, as $1,800 off that, leaving enough to give our men roughly a hundred dollars. I didn't figure up what it would be down in Canada.

We cannot compete with them for two reasons. One is that we have to steam so much farther. If we go to Grand Banks, they have a 2-day—they save 2 days. It takes them 2 days less than it does us to go; it takes them 2 days less to come home. So, they have the advantage of 4 days each trip. In other words, they can make about

three trips, anyway, to our two. And, as I say, with the cheaper labor—their top labor down there is in one place—and one place alone—as high as 96 cents. The top labor in Boston is $1.53 an hour, with a guaranty of 40 hours a week.

So, it is not a case of will they take us over. Without question, it is on the way now. It is well advanced now, and the more vessels they build, of course, the quicker they will knock us out, and the quicker our companies will be forced to move down there.

They will be joined by more and more American firms moving to Canada. Already a number of such moves have taken place. The advantage lies there, and it will be taken up unless something is done to preserve a reasonable share of our market for our own fishermen. The time for such measures is now because the future of our industry is being decided now. We should not wait until Canada and Iceland have built up their fleets and until many more of our fishing and fish-processing companies have opened operations outside of this country. If we wait until then, the necessary steps will be more difficult to take; and, if they are taken, injury will be inflicted on the expanded industry in Canada and Iceland, as well as upon our own companies that have transferred their operations to the north.

It does not appear to us that an increase in the tariff rate would be the best remedy. In order to produce any effect, the present rate would have to be more than doubled, and probably tripled. This would have the appearance of an exorbitant tariff and would be vigorously protested by the countries shipping to us. A more satisfactory measure would consist of a quota limitation that would stop imports after a stated quantity had been received. This quota should represent a percentage of domestic consumption, based on several preceding years of imports.

This would stabilize the imports and would avoid the overbuilding of the Canadian and Icelandic fishing fleets and processing plants with an eye on unlimited exports to this country. It would also halt the emigration of our own fishing companies.

We suggested before the Ways and Means Committee that action along these lines be taken by revision of the escape clause in our trade agreements. We are glad to say that the House passed a bill that contains a modified escape clause and we strongly urge the Finance Committee to accept this clause. Should it pass Congress and become law, we would for the first time since World War II feel that we had in hand at least the means of a remedy. As it is now, there is little or no hope of saving our industry.

The whole industry came before the House Merchant Marine and Fisheries Committee 2 years ago and unfolded its fears and alarms. We had a sympathetic hearing. Resolutions were introduced into the House calling upon the State Department to make a study of the problem. This was passed, and in time the State Department made a report. The sum and substance of this report was that we should increase our efficiency as fishermen and as processors of fishery products and should educate American housewives in the greater use of fish. A very brilliant report indeed. It was, of course, nothing more than a long and roundabout way of saying that nothing would be done. And, although we have continued to make representations at every

opportunity, nothing has been done. And we are now fully convinced that the State Department has not the least intention that anything should be done.

I might add to that: About 5 years we had a 4-hour conference with four or five gentlemen over there, and the substance of it was, they told us that as far as they were concerned, if an American industry couldn't stand on its own it should die, and one of them said that as he saw it the time was coming when if you wanted to stay in the industry you would move your families and your business down east.

Senator KERR. Who said that?

Mr. MCHUGH. The State Department.

Senator KERR. Who, in the State Department?

Mr. MCHUGH. I do not remember the man's name, sir. There were five of them, I think, at the conference, four or five, and there were myself and my attorney. We were delegated by all the fishermen around the country to go in there.

Senator KERR. You do not know who it was?

Mr. MCHUGH. No; I don't remember who it was.

Since it is the constitutional power of Congress to regulate our foreign trade, we hope that this body will override the State Department in its refusal to preserve one of our oldest industries.

The State Department will say that, although we protested 2 years ago and expressed alarm, our fishing industry is still in business and, by such evasion of the fundamental question, will say that our fears are unfounded. All that we can say is that their sympathies must lie elsewhere than with our own industry.

Senator MILLIKIN. If I may say so, that same line of argument could be used by apologists for the State Department—"it is still in business, but our fears are unfounded."

Mr. MCHUGH. The situation is obvious. The action that will determine the future of our industry is under way now. If Canada and Iceland had the capacity now, they could drive our fishing vessels off the seas. The door stands wide open, an invitation to them to expand their fishing capacity. By its inaction and, more yet, by its attitude, the State Department is lending the utmost encouragement to such expansion.

Let the present international crisis pass and the high consumer income that now absorbs the catch of both the domestic and foreign industry decline, and it is not hard to guess who will be able to hold this market, who will continue to fish, and who will be thrown out of work. The advantage will lie with our foreign competitors and not with us. The State Department will then have something to be proud of.

Passage of H. R. 1612, with its modified escape clause on the other hand, will open the way for preservation of the New England fisheries without injuring the foreign fisheries. We repeat our recommendation that this committee report the bill favorably.

We want to point out further that, even if the revised escape clause is enacted, the remedy will still be slow in coming. We will still have

to convince the administrative agency and the President of the soundness of our case; but the way will at least be open. You will, by adopting the amendment, at least remove the present road-block. Without that action, we will have nowhere else to turn.

The CHAIRMAN. Any questions of the witness?

If there are no questions, we thank you, sir; for your appearance.

Mr. McHUGH. Thank you.

The CHAIRMAN. Mr. Gilbert H. Robinson.

Mr. Robinson, you may have a seat, please, sir.

Mr. ROBINSON. Thank you, sir.

The CHAIRMAN. Please identify yourself for the record.

STATEMENT OF GILBERT H. ROBINSON, PRESIDENT, FORSTMANN, INC.

Mr. ROBINSON. Mr. Chairman and gentlemen of the Finance Committee, my name is Gilbert H. Robinson, and I am president of Forstmann, Inc., sales company for Forstmann Woolen Co., and assistant to the president of Forstmann Woolen Co. Our mills are located in Passaic and Garfield, N. J., and our sales offices are located in New York, Boston, Chicago, and Los Angeles.

We manufacture and distribute quality woolen fabrics. At present we employ 4,500 people.

Ever since the inception of the Trade Agreements Act we have consistently appeared in opposition. We believe that the duty reductions already taken on woolens and worsteds and those still allowed under the Trade Agreements Act will eventually liquidate the industry, and for very dubious gains.

The entire problem narrows itself down to the question as to whether you consider the woolen and worsted textile industry of this country expendable. We do not consider it expendable.

Senator KERR. How many men do you employ?

Mr. ROBINSON. 4,500, sir.

Senator KERR. How many are employed in the industry?

Mr. ROBINSON. 170,000.

Senator KERR. Can you give the committee the number that have been employed in your company and your industry each of the last 15 years?

Mr. ROBINSON. I cannot give that figure accurately, sir.

Senator KERR. Can you get it?

Mr. ROBINSON. Our employment today is at a very high level.

Senator KERR. Can you get that figure?

Mr. ROBINSON. Yes, sir.

Senator KERR. Will you?

Mr. ROBINSON. Yes, sir; I will get it and submit it to the committee, if I may.

Senator KERR. All right.

(The following was later received for insertion in the record:)

MARCH 5, 1951.

To: Mr. Karl H. Helfrich.
From: Morgan Olcott, Jr.
Subject: Average number of workers in the woolen and worsted industries and the Forstmann Woolen Co. by years: 1953 to date.

	Average number of industries	Index (1939=100)	Forstmann Woolen Co.	Index (1939=100)		Average number of industries	Index (1939=100)	Forstmann Woolen Co.	Index (1939=100)
1935	166, 500	105. 6	*2, 529	118. 0	1943	174, 100	110. 4	4, 190	195. 4
1936	162, 300	102 9	*2, 065	96. 0	1944	161, 500	102. 5	3, 750	174. 4
1937	160, 100	101 5	*2, 075	96. 5	1945	154, 300	97. 8	3, 604	168. 1
1938	129, 300	82. 0	2, 329	108. 5	1946	174, 200	110. 5	4, 056	189. 1
1939					1947	170, 300	108. 0	4, 289	200 0
(base)	157, 700	100. 0	2, 144	100. 0	1948	169, 600	107. 6	4, 497	209. 7
1940	152, 900	97. 0	2, 352	109. 0	1949	[1] 140, 300	89. 0	4, 576	213. 4
1941	192, 700	122. 2	3, 344	155. 5	1950	[1] 160, 000	101. 3	4, 654	217. 1
1942	186, 300	118. 2	4, 179	194. 9	1951	[1] 170, 000	107. 8	[2] 4, 807	224. 2

[1] Estimated.
[2] 8 weeks.

NOTE 1.—The figures for the industry from 1935 to 1948, inclusive, are based on Bureau of Labor Statistics figures.

NOTE 2.—The industry estimates for the years 1949, 1950, and 1951 were derived as follows: (*a*) In September 1949 the BLS discontinued its employment breakdown giving the woolen and worsted figures; (*b*) the National Association of Wool Manufactures provided the following figures of employees in woolen and worsted weaving establishments:

Weaving:
- 1947 — 122. 5
- 1948 — 123. 5
- 1949 — 100. 9
- 1950 (October) — 114. 3

Wool and worsted works (total):
- 1947 — 170. 3
- 1948 — 169. 6

Taking 1947 as base, proportions were struck.

*Figures marked thus are based of payroll records (peak payroll for year).

NOTE 3.—All other Forstmann Woolen Co. figures are based on employment department records.

Mr. ROBINSON. We believe the industry is not expendable because it is an important segment in the civilian economy in peacetime, and we believe it is absolutely essential in time of war.

Let us examine for a minute the economic contribution that we believe the industry makes in time of peace. Granted, it does not employ millions that are in the automobile industry or segments of the steel industry, but nevertheless in examining the figures of the Bureau of Census, we found that it was among hundreds of manufacturing industries the seventh largest employer of labor and ranked fourteenth in the value of the product that it produces.

Senator MILLIKIN. May I ask the witness which country is your principal competitor?

Mr. ROBINSON. Great Britain is the largest competitor, 75 to 85 percent of the imports into this country are from Great Britain.

Senator MILLIKIN. Do you export anything into Great Britain?

Mr. ROBINSON. No, sir; we do not. We cannot compete in the world markets in any country because of the very high labor costs that we have in our industry, which supports the very high standard of living.

Senator TAFT. Your industry makes wool cloth; is that it?

Mr. ROBINSON. Exactly, sir. We buy raw wool, and we deliver a cloth, a worsted cloth and a wool cloth, ready for the needle, to be made into garments. We sell to garment manufacturers, to retail stores for over-the-counter sale, and to custom tailors throughout the country.

Senator TAFT. What proportion of the total amount of wool cloth used in the country comes from American industry and how much is imported, approximately?

Mr. ROBINSON. At the present time—let's take the year 1950. Those figures were just made available to me. The total amount coming from abroad is in the neighborhood of 2 percent. The balance of the cloth is provided at the present time by the domestic industry.

Senator TAFT. Ninety-eight percent?

Mr. ROBINSON. Yes, sir.

Senator TAFT. Is that high grade? You hear a lot about British suits and British cloth. Is that just a high-grade cloth?

Mr. ROBINSON. That figure goes pretty generally across the board, although we, being in the quality end of the business, naturally watch particularly the imports of quality woolens.

Recently, in the last year, they have had a category of imports of $4 and above, and almost 50 percent of the woolens imported into this country, woolens and worsteds in 1950 fell in that category—a total of something over 7½ million yards.

Senator TAFT. How do you account for the fact that the British do not export a larger percentage in here than 2 percent? Why should they not, if you are afraid of them?

Mr. ROBINSON. That is exactly the point, sir. We have actually only 7 percent of the total exports from Great Britain at the moment coming to this country, but the continual reduction of duties, with the effect of the devaluation, with the encouragement that we are giving through reductions of duties under the Trade Agreements Act, this country's civilian market could very well be taken over.

Senator TAFT. Why has it not been done up to now? That is what I mean.

Mr. ROBINSON. Actually in our opinion the lamb has been prepared for slaughter at least three different times in the last 16 years. In 1939, when under the act the first reduction in duty was taken on woolen and worsted fabrics, the ad valorem duty was then reduced from 60 to 35 percent on quality fabrics. Imports immediately jumped up, and then the war in Europe came along and all the facilities were turned from goods produced for export to this country and other countries and went into war work.

Again in 1947 the duties, both ad valorem and specific were reduced. The imports in 1948 doubled. In 1949 imports did not increase over 1948 because in the offing was this question and fear of the devaluation, which eventually took place in September of 1949. And from there on the flood has been developing.

Now, at the same time the reason the percentage figure is still relatively small, Senator, is that our production for both civilian and the Army has substantially increased. And particularly now we are again running at full capacity in the industry due to the Korean situation and the moneys that are being spent, and are being planned to be spent for defense for the armed services.

Senator MILLIKIN. Can you compete on an even basis in the purchase of wool with Britain in Australia?

Mr. ROBINSON. At the present time, until the price-freeze order went into effect, we were able to buy the wools that we needed, because there was no restriction or limitation on the amount of raw wools that you could buy or what you could pay for it. But it is a matter of record that moneys that we have been loaning to Great Britain and moneys that have been going to the Continent are funds that in turn have been going in and bidding up the market against the American buyer.

I am sure that you know, Senator, that today domestic industry, the wool-growing industry, only provides some 25 to 30 percent of the wool consumed in this country, and the balance of it comes from abroad.

Senator TAFT. The question was whether the British have any preference in buying from Australia over your buying from Australia.

Mr. ROBINSON. There is no actual preference that I know of, sir. It is on an auction system, and it is purely a question of who bids the highest price.

This is true. However, under the picture that we are now confronted with in the freezing of prices on fabrics—not on wool at the present time, although it is contemplated—it is impossible for the American industry to go in and take a substantial position on wool at these high prices because under the present freeze, at least, you cannot reflect those high raw wool prices, in the selling price of the woolen and worsted fabric.

Senator MILLIKIN. One of your points is that through our foreign-aid programs they are using our money to outbid you in the Australian wool market if they feel like doing it; is that right?

Mr. ROBINSON. Yes, sir.

The CHAIRMAN. Also, there has been some suspicion that Russia, directly or indirectly, was bidding in the Australian market; has there not?

Mr. ROBINSON. I cannot prove that.

The CHAIRMAN. I understand, but I say there has been some suspicion.

Mr. ROBINSON. Exactly, sir.

The CHAIRMAN. Yes.

Mr. ROBINSON. I am convinced that the figures that were quoted for the Russian purchases in 1950 were low, and I am also convinced, sir, that there are many purchases made for the iron-curtain countries through the Continent which eventually find their way behind the iron curtain.

The CHAIRMAN. Well, your industry has grown steadily in the number of men employed?

Mr. ROBINSON. Yes, sir.

The CHAIRMAN. And in wages paid?

Mr. ROBINSON. Yes, sir; that is correct.

The CHAIRMAN. It has been a story of constant growth, and your imports now do not amount to more than 2 percent from Great Britain?

Mr. ROBINSON. Yes, sir; that is correct.

The CHAIRMAN. Yes. And that is in the rather high quality goods, is it not? You do not have much competition in the medium- and low-priced woolens, do you?

Mr. ROBINSON. Oh, yes, sir.

The CHAIRMAN. You do?

Mr. ROBINSON. A great quantity of moderately priced woolens comes from abroad, too. Before the war it was not generally known, but before the war the great bulk of them were moderately priced woolens. The emphasis and discussion was always on the top quality, but it was very generally across the board.

The CHAIRMAN. I got that impression. It may be wrong. I do not know. You may go ahead.

Senator MILLIKIN. The top quality hits your particular company with a special emphasis?

Mr. ROBINSON. Exactly, sir. And the tendency is, as I pointed out with the figures a few moments ago, to concentrate now a great portion of the imports in that higher-priced field, with the result that it is directly affecting our particular position in the industry. That is only natural because it is today that the individual income is there to pay for the higher-priced quality fabrics.

Senator MILLIKIN. With reference to devaluation, what would you say that is the equivalent of in tariff reduction as far as your business is concerned?

Mr. ROBINSON. Well, it was much greater than—the devaluation alone was a much greater drop than any duty reduction taken under the Trade Agreements Act.

Senator MILLIKIN. Would you say as much as 15 percent?

Mr. ROBINSON. More than that, sir.

Senator MILLIKIN. The technical thing would run you up to 25 or 30, but a lot of other factors enter into it.

Mr. ROBINSON. Yes, sir.

Senator MILLIKIN. I think it has been said that on the average probably clear across the field it averages maybe 10 percent, or something like that. I was trying to figure out what the effect is on your particular business of that devaluation as far as the equivalent of a tariff reduction is concerned.

Mr. ROBINSON. I think I could best answer that question with some fabrics that I brought with me, sir. These are fabrics that were received by garment manufacturers from abroad from December 19 to January 25. They are from England and from Italy and from France. I took that particular period because that happens to be the price-freeze base period at which everything is frozen.

I have on the right the swatches from abroad pinned, and on the left I have the nearest comparable fabrics which we produce. These are the men's-wear fabrics, which is the phase of our business which has been most seriously affected, or was being most seriously affected up until the Korean situation.

For example, the one I have in front of me, the landed cost is $5.64, and our price on a similar and equivalent cloth is $8.32.

The CHAIRMAN. You think yours is somewhat superior, do you not?

Mr. ROBINSON. Obviously I am prejudiced in regard to that, sir. But I think even our most aggressive competitors, let us say, will at least concede we make a very fine cloth.

Mr. CHAIRMAN. Yes; I am sure you do.

Mr. ROBINSON. Here is a cloth which is $8.42 of ours and $5.48 from abroad.

Senator MILLIKIN. That is a yard?

Mr. ROBINSON. Yes, sir; those are yardage figures, and these goods are 58 to 60 inches wide.

Senator MILLIKIN. What is the disparity due to that devaluation?

Mr. ROBINSON. Of course, this is true: that devaluation took place in 1949. This is the spring of 1951. Some of that has been offset by the rise in the raw wool. And the rise in the raw wool, in all fairness, more seriously affects the countries abroad and England because raw wool there, since their labor cost is low, is a much larger percentage of the total cost of producing a yard of goods. Therefore, a rapid rise, such as we have had in raw wool, more seriously affects their picture.

Senator TAFT. They do not get the full effect of devaluation on raw materials they have to buy from abroad either.

Mr. ROBINSON. That is correct; that is very true. I could figure that out for you, sir, to answer your question, at least very roughly.

Let's see, we were off about 40 percent, let's say roughly, in the devaluation. So since it landed here at 40 percent less and, therefore, you figured your duty rate at 40 percent less, and your mark-up was on—that is, the importer's mark-up was on a basis of 40 percent less. So I would say a figure somewhere between 30 and 40 was the direct reaction from that devaluation of the currency.

Senator MILLIKIN. In fields where there was competition?

Mr. ROBINSON. That is right.

Senator MILLIKIN. If they were bringing things in here that were specialty products where they had no competition here, there was no reason for them to lower their price at all.

Mr. ROBINSON. That is correct, sir.

Senator MILLIKIN. And that I think generally was the trade experience.

Mr. ROBINSON. Yes, sir.

I would like to point out at this time the wage disparity that actually exists. We have an average hourly rate in our industry today which, as you point out, Senator, is considerably higher than it was 7 or 8 years ago.

Senator KERR. What did you say you have in your industry?

Mr. ROBINSON. An average hourly rate of $1.42. It is substantially higher than it was 7 or 8 years ago.

Senator KERR. Now a yard of your cloth that cost $8.42, how much of that is represented by labor?

Mr. ROBINSON. It varies, of course, with the individual cloth, but as a rule of thumb you can figure somewhere between a third and half of the cost—not of the selling price, but between a third and a half of the cost is direct labor.

Senator KERR. If it was a half that would be $4.25, would it not?

Mr. ROBINSON. Let's put it this way: Let's build it down for you. Let's take an $8 cloth. Your overhead, that is profit, advertising, sales costs and so on might be $2, and you have $6 as the so-called manufacturing cost. Of that manufacturing cost, the labor in it would probably be somewhere around $2.50 to $3 on a yard of goods.

Senator KERR. In other words, the labor percentage then is applied to the amount representing the manufacturing cost?

Mr. ROBINSON. Yes, sir.

Senator KERR. Aside from overhead?

Mr. ROBINSON. Yes, sir.

Senator KERR. In other words, it takes over 2 hours to produce a yard of cloth?

Mr. ROBINSON. Well, it is a little difficult to generalize because, for instance, a woolen coating, where you have few picks and ends—I know Senator George from Georgia understands—where you have few picks and ends, it runs very fast through the loom. Where you have a piece of worsted goods, such as I just showed you, where you have very fine yarn counts and many picks and ends, it works very slowly in the loom. So you will have some that will turn out 3 or 4 yards per hour and on others you will get 6, 7, 8 yards per hour.

Against that $1.42 which we pay in our industry, in Great Britain the hourly rate on the most recent figures we have been able to obtain is 36 cents; 20 cents for France; 24 cents in Italy; and 9 cents in Japan.

Senator MILLIKIN. How about the mechanical end of it? Are they set up as well as you are?

Mr. ROBINSON. I am glad you brought that up, Senator. The actual mechanical set-up prior to the war in both this country and abroad was nothing too much to be proud of. The industry had been very poor. The record shows that the domestic industry was a poor industry.

Senator MILLIKIN. In this country?

Mr. ROBINSON. As well as abroad. During the thirties the wool industry lost something over $100 million.

Senator MILLIKIN. Yes.

Mr. ROBINSON. Subsequent to that much of our moneys has gone to modernize our competitor's mills abroad. In this country, too, much has been done to bring the equipment up to date. On the other hand, because of the difference in labor, I would say roughly you can build plants and buy machinery at something less than 50 percent of what we have to pay in this country.

Senator MILLIKIN. Have they modernized themselves over there to a point where they are comparably equal to your own modernization?

Mr. ROBINSON. I can only state on the basis—I am going over there the 30th of March and I will get a first-hand picture at that time. But the best information I have, particularly of Great Britain and Italy, is that those countries have extremely modern machinery. In some cases they are better equipped than we are. I would say, to answer your question as honestly as I can, they are comparable in every way.

On the other hand, it is generally conceded that our labor is more efficient. I think the best figure we have on that is that it is some 30 percent more efficient than Great Britain's workers, whose workers are the next most efficient. On the other hand, to offset the difference in wage rates it is quite clear we have to be some 400 percent more efficient than Great Britain, 700 percent more efficient than France, and 600 percent more efficient than Italy, and some 1,600 percent more efficient than Japan.

I speak of Japan. Today they are not competitors as far as my company is concerned, but they conceivably could be in the future, and conceivably may become more and more a factor in the picture as time goes on in view of the development program I read about and read about specifically in the papers this morning.

It is also fairly clear, I think, that if we should liquidate this industry, which we believe is very important, that the labor forces that are fairly well concentrated up in New England, down the Atlantic coast, and through the South, is not a movable labor force. They will not move to those parts of the country where industries exist that will be benefited by an increase in trade and consequently an increase in exports.

But let us suppose for a minute that our 12,000 workers—that is what we have in the city of Passaic and Garfield, N. J., today—in the textile industry were layed off due to liquidation of the wool industry and plans were made to bring them into Detroit, into the automobile industry, which definitely is interested in exporting. From the standpoint of the productivity of labor—in other words, the labor factor being so much less in the automobile industry as compared to the wool textile industry, for every job you created in the automobile industry you would have to destroy two in the textile industry. And that goes right back to the basic fact that labor is a very important element in the production of a yard of cloth.

Another point to be considered right here is the fact that the industry has the capacity and equipment to meet all the needs of the very fast-growing population. All you have to do is look at the record of it during the war when we made something very close to a billion yards. That does not sound like much to the cotton industry——

Senator KERR. How much?

Mr. ROBINSON. A billion yards of woolens and worsteds for the armed services. We met all civilian requirements, shipped goods on lend-lease, helped outfit some of the soldiers of our allies, and still did it without borrowing money to increase the facilities. It was done entirely by putting the equipment to more productive work, that is, putting more people on the equipment and facilities that we had. The industry has the capacity to meet all the requirements of the United States.

That brings us to this point: That the minute you ship a yard of goods in here you are technically exporting a job, because if that yard didn't come in it would be made here.

Senator KERR. Is there any surplus labor in your area?

Mr. ROBINSON. Not at the present time; no, sir. There was plenty in January, February, March, April, and May of 1950, and there was plenty in all the textile areas. The Korean situation has changed that.

Senator KERR. Whatever the situation is, as of today there is an over-all shortage in your entire area and practically every field of operation?

Mr. ROBINSON. Yes, sir; that is correct.

Senator TAFT. As long as that continues, you are in effect protected just the way you were during the war from foreign competition?

Mr. ROBINSON. Yes, sir; but I want before I get through to get behind that smoke screen. That is what I am here for. I am not complaining about the conditions that exist today, except I would like our labor to get back to work. They are on strike at the moment. I just want to point out the potential liquidation of industry that four times has been temporarily stopped by conditions that were unforeseeable.

Briefly, I would like to just mention—well, I do not believe I need to—to emphasize the importance of clothing to the armed services in time of war.

Senator KERR. It is pretty important to the civilian population, too; is it not?

Mr. ROBINSON. Indeed it is. I endeavored to express that just a minute ago.

Senator KERR. I did not want you to overlook that.

Mr. ROBINSON. No. I am just moving over to the armed services now. Yes, indeed, it is. Next to food it is the most important thing.

Senator KERR. Food and housing.

Mr. ROBINSON. Food and housing; yes, sir.

Senator KERR. You practically could not do without it, could you?

Mr. ROBINSON. I think you might get shot if you tried to.

If you will concede with me, then, the importance of clothing in time of war——

The CHAIRMAN. Oh, yes; we will do that.

Mr. ROBINSON. I would like to go on with that little story. I said the lamb was prepared for slaughter three times: 1939 I mentioned, in 1947, and then in 1949, and then the imports started to pour in.

Senator MILLIKIN. Do you expect to get wool off a lamb? You have got your figures mixed; have you not?

Mr. ROBINSON. I am just trying to keep it associated with a Biblical relationship. As a matter of fact, we get some very fine soft wool from lambs.

The CHAIRMAN. All right. Now you go ahead and tell us what you really are suggesting to us. We know your problem fairly well.

Mr. ROBINSON. Yes, sir.

The CHAIRMAN. Have you got any particular recommendation?

Mr. ROBINSON. Yes, sir; I have.

The CHAIRMAN. That is what we want.

Mr. ROBINSON. This situation was getting very bad in the first 6 months of 1950, just before Korea. Labor was being laid off. We were having—the industry was moved down from 100 percent capacity to 50 percent capacity. Big mills were being scrapped. One of the biggest mills, owned by the American Woolen Co., was closed up.

At that time in desperation the industry appeared before the Committee on Reciprocity which was set up to hear the story in preparation for the Torquay Conference. The industry filed briefs. I personally appeared there and endeavored to get across the seriousness of the situation, and the fact that the time we had been talking about was finally here and was finally becoming effective in the industry. And the Torquay Conference went on and is still being held and, to the best of my knowledge, the reductions are certainly being contemplated that are allowed under the Trade Agreements Act as it now exists and as it will be allowed under its extension.

Labor itself appeared down there. The textile workers union of the CIO filed a very strong protest against further tariff reduction.

Then came Korea and the whole thing reversed. The industry was floundering and then the demands of war and the threat of a global war and the danger of the development of war, and billions of defense pushed the industry right into a full-production picture again. That is the situation that we have today. We are in full

production. We have full employment. But the Army is buying in excess of 100 million yards of goods. The civilian demand has gone up due to stepped-up buying power, due to scarce buying, due to a growing lack of hard goods. And the additional imports from abroad—which incidentally in dollar volume, although 2 percent sounds rather small, they were the highest they were in any year dollarwise since 1890, and that is the furthest back I can get figures. And the yardage was larger than any year except 2 in the past 32 years.

Senator KERR. Does the same thing apply to domestic production?

Mr. ROBINSON. The domestic production reached its peak, sir, in 1942, and it ran at a very high level through 1946; then gradually fell off. In 1950 it stepped up somewhat but did not reach the full peak of those war years.

Senator KERR. Has it yet reached it?

Mr. ROBINSON. My guess would be that 1951 should again reach the full capacity and peak of the industry.

Senator KERR. You think as of this time then you are producing at an all-time high?

Mr. ROBINSON. Very near to it; yes, sir. But 25 to 35 percent of that at least is going to be for the armed services.

Now with that kind of a condition and with this stepped-up civilian demand, you have goods from abroad moving in very painlessly. People are inclined to ignore it.

Senator TAFT. How many million yards did you say the Government was buying?

Mr. ROBINSON. As nearly as I can determine, the yardage already placed and projected will be in excess of 100 million yards.

Senator TAFT. That seems to be about 30 yards per person in the Armed Forces.

Mr. ROBINSON. Figuring on the basis of 3½ million.

Senator TAFT. How many yards in a suit?

Mr. ROBINSON. Three and one-half yards.

Senator TAFT. How many in blankets?

Mr. ROBINSON. Those figures I am giving are yardage of apparel fabrics. Blankets, socks, wool underwear are over and above that.

Perhaps I can put it this way, sir: I understand that the amount of goods of all character of wool apparel fabrics, socks, and so forth, orders either placed or to be placed before June 30 will amount in wool to over 200 million pounds clean, which is about 35 percent of the productive capacity roughly of the industry.

Senator TAFT. On this figure alone you get 30 yards or around eight suits for every man of 3½ million men; is that right?

Mr. ROBINSON. That would be true, yes, sir; except that you have to think in terms of overcoats as well as suits.

Senator TAFT. That is right.

Mr. ROBINSON. And then each man has, I believe, two or three different kinds of uniforms—a combat uniform, a dress uniform, and so on.

Senator MILLIKIN. Do you have any statistics out of World War II as to how many suits a soldier wears out in a given period of time?

Mr. ROBINSON. I can only give you a figure which is, again, in terms of wool, Senator Millikin, and I think that figure was roughly 200 pounds of wool per soldier per year.

Senator MILLIKIN. Meaning what in terms of yards?

Mr. ROBINSON. I am sorry I cannot reduce that in terms of yards. Well, let's see.

Senator KERR. Fourteen-ounce or sixteen-ounce cloth?

Mr. ROBINSON. The biggest single procurement of the Army and Air Corps is an 18-ounce serge, which uses up a lot of wool.

Senator MILLIKIN. I am going to take the great liberty of assuming what is in Senator Taft's mind.

Mr. ROBINSON. Yes, sir.

Senator MILLIKIN. He is wondering why eight suits for a soldier and in his mind he is thinking that may mean more than 3½ million soldiers. So to get a balanced picture I am trying to figure out what is the normal usage of uniform to a foot soldier.

Mr. ROBINSON. Yes, sir.

Senator MILLIKIN. Would it last for 3 months or 6 months, or how long does a suit last?

Mr. ROBINSON. I am sorry I cannot give those statistics.

Senator MILLIKIN. Then don't bother.

Mr. ROBINSON. Except I can add this to the picture. I know that in that procurement are stockpile fabrics and wool as well; that is, goods that are not immediately in the procurement. As you will recall, Congress has authorized the purchase of fabrics and wool to the amount of 100 million pounds clean for wool reserve. I know that in that 100 million yards I gave you a minute ago is reserve as well as current procurement.

Senator KERR. A certain percentage of stockpile had to be fabricated; did it not?

Mr. ROBINSON. The original figures, as I recall, out of 100 million pounds clean, there was 30 million to be bought in wool by CCC, and the balance of 70 million was to be bought in yardage by the Quartermaster Corps. I think that has since been modified to the best of my knowledge, only 7 million pounds being bought by CCC. It is now the plan to put more in yardage and less in wool.

The CHAIRMAN. Now, if you would be good enough to tell us what your specific recommendation is.

Mr. ROBINSON. Yes, sir. We came here, sir, not just to criticize but because we believe we have the solution to the problem.

The CHAIRMAN. Yes.

Mr. ROBINSON. I hesitate to use this word because it is a loathsome one, or generally considered so; but I use the word "quota." We believe that word contains the solution to the problem; that the solution lies in a flexible quota. There is plenty of precedent for it, certainly, in other countries.

The CHAIRMAN. And here, too.

Mr. ROBINSON. Yes, sir; and here too. There are at least 9 or 10 that I know of off-hand.

Now, we studied our industry very carefully. We studied production figures; and we have studied imports in relation to those production figures. Generally speaking, the production has run—or rather the imports have run—about 2 percent of the production.

If you take out the war years, I think it goes up to about 2.7 over the past 30 years.

Without going through all the story, I would say that we have developed a specific plan, which is to restrict imports of woolen and

worsted fabrics to 5 percent of the domestic annual production. That is almost double what it has been, on the average.

We believe that if that 5 percent figure is firmly fixed and set, the industry would be able to move forward with confidence. Goods from abroad will be assured of a fixed segment of this market. All of those bad conditions that exist in international trade, such as government subsidies, manipulated currency, and so forth, would be circumvented.

There are a number of other details in the program, but the 5 percent figure is the basic element. We definitely believe it is workable.

There is an interesting precedent in the 5 percent figure. In the trade agreement negotiated in Geneva in 1947 there was an actual clause which said should imports exceed 5 percent the duty could be increased from 25 percent—not back to the 35 percent figure that existed before, but up to 45 percent. So even the negotiators recognized the 5 percent figure as very important.

We think that this quota program should become a part of the trade set-up for the woolen and worsted goods industry and be a replacement of the extension of the Trade Agreements Act.

Failing that, however, we feel after examining H. R. 1612, the House bill, that the amendments of that bill could be clarified so that a peril point could be established which would not be just a qualitative peril point but also a quantitative peril point and if we believe that, the Tariff Commission will arive at, after very close study, the 5 percent figure we have in mind.

Further, should we make application for relief under the escape clause which is part of the House bill, the solution we feel there, too, would be a quota, and that the Tariff Commission will arrive at a quota plan quite similar to the one we have arrived at after very careful study.

Our only other suggestion is that the two amendments, the peril point and the escape clause, should the bill be extended, should become mandatory upon the administration rather than permissive. That completes our statement, Mr. Chairman.

The CHAIRMAN. Are there any questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Robinson, for your appearance.

(The following was received for insertion in the record:)

STATEMENT OF THE FORSTMANN WOOLEN CO., PASSAIC, N. J.

STATEMENT OF INTEREST

The Forstmann Woolen Co., whose principal office is located at 2 Barbour Avenue, Passaic, N. J., owns and operates mills in Garfield and Passaic, N. J. The company specializes in the manufacture of top grade wool and worsted apparel fabrics for men's wear and women's wear, performing all of the operations from the purchasing and sorting of the raw wool to the delivery of finished cloth. The company also spins sales yarn, and markets men's socks and sweaters that are knitted for it from yarns produced by the company for that purpose.

The company employes approximately 4,500, but its position in the industry is admittedly more dominant than this figure would indicate, because by the nature of its product it serves not only as a style and quality leader in the manufacturing of wool fabrics, but also as a most important resource for the garment manufacturing and retail store operations of this country.

Furthermore, the company is recognized by our Government both as an essential pilot plant in developing new military fabrics for global warfare and as a

producer of those military fabrics that are relatively the most difficult to manufacture. This statement is attested by letters in the company's files from the Quartermaster General of the Army Service Forces and the Chief of the Bureau of Supplies and Accounts of the Navy Department.

The Forstmann Woolen Co. has consistently opposed the theory and practice of the Trade Agreements Act, and the various extensions thereto, because reduced tariff rates on manufactured wool products which no longer compensate for the much lower wage rates and the much lower costs of providing plants and equipment that are prevalent in foreign countries present a form of foreign competition that no efficiency of labor nor ingenuity of management can overcome.

Such opposition on our part is evidenced by a brief entitled "Import Quota Plan for the Wool Raising and Wool Manufacturing Industries" which was prepared in 1945, and a subsequent brief entitled "Import Quota Plan for Wool Apparel Fabrics, Yarns and Articles Made From Wool Apparel Fabrics" prepared in December 1946, and a third brief entitled "Flexible, Quantitative Quota Plan for Imported Wool Apparel Fabrics, Yarns, and Articles Made From Wool Apparel Fabrics" prepared in May 1950.

All three of these briefs referred to were presented in turn to the appropriate departments of the Government in Washington, including the Committee for Reciprocity Information.

It is our contention, as will be later developed in detail, that reduced tariff rates no longer reflect the great difference in manufacturing costs as between wool textile mills abroad and those located in this country, and will eventually lead to a drastic liquidation of the wool textile industry in the United States (of which the Forstmann Woolen Co. is a part) and will cause future widespread unemployment for the many thousands of workers who depend upon this industry for their livelihood, not to mention the people in hundreds of different communities who depend largely for their economic well-being on the payrolls which such wool textile mills disseminate.

Much has been written and said in the past by various branches of our administration in Washington that certain industries may be considered expendable, as a part of the Government program to foster and encourage an increased volume of imports.

It is our further contention, as we also intend to cover more fully in this statement, that our industry is not expendable in the long range public interest, first, because of the important segment which we provide in the over-all national economy, since the production of fabrics for basic clothing is second only to adequate supplies of food, and, secondly, because of the vital importance of the military fabrics which we produce during a period of accelerated rearmament and more especially during a period of actual war.

THE ECONOMIC IMPORTANCE OF THE INDUSTRY

According to the 1939 census (which was the last complete census before abnormal war and postwar years), the wool textile industry ranked seventh among all the manufacturing industries of the country on the basis of the number of people employed. Only six other manufacturing industries then employed more. At the same time, wool textiles ranked fourteenth in value of finished products. These figures are highly significant. They first show the relatively great importance of the woolen-worsted industry from the standpoint of employment, providing a livelihood for approximately 140,000 workers as of the year 1939. The number of workers has since increased to about 170,000.

Secondly, these statistics clearly demonstrate the high proportion of labor costs to the value of finished products which is the very reason why this industry particularly needs protection against low wage levels of foreign countries. It is just the reverse, for example, in the cigarette industry which then ranked sixty-third in the number of its employees, but sixth in the value of its finished product

Any factors, including foreign competition, which in the future would adversely affect the stability and rate of employment in an industry of this size and scope, would not only work hardship on the thousands of people directly involved but could easily touch off a far-reaching downward spiral that would affect the economy of the entire Nation.

THE SUSCEPTIBILITY OF THE WOOL TEXTILE INDUSTRY TO FOREIGN COMPETITION

The primary reason why it is impossible to meet the competition of manufactured wool products from abroad on an even footing lies in the differential of labor rates. In England (which is our chief competitor), the average rate for

productive workers is 36 cents per hour; in Italy, 24 cents; in France, 20 cents; and in Japan, 9 cents, whereas in the United States the average wage rate is approximately $1.42 (the average wage rate of the Forstmann Woolen Co. is $1.49).

Expressed in other terms, the labor rates of our industry are approximately 4 times higher than those of England, 6 times those of italy, 7 times those of France, and 16 times those of Japan.

In addition to these differentials, the Textile Workers Union of America, CIO, which is currently on strike in approximately 160 mills in our industry, has presented demands that in total exceed a further increase of 50 cents per hour.

We have no efficiency of either labor or management which can overcome such differentials. According to studies of the United States Tariff Commission, the efficiency of the American textile worker as compared with the British is only 1.3 to 1 in our favor.

In addition to these extreme differences in labor rates, our foreign competitors can build mill structures and install machinery at less than one-half the cost which we must face in this country.

An added factor which accentuates the difference in labor rates as between this country and abroad is the relatively high labor content of the products which we manufacture. This is best illustrated by a comparison with the mass production of the automobile industry. According to prewar census figures of 1939, we find that 397,537 workers in the automobile industry produced finished products valued at $4,039.930.733, or in other words, one worker produced $10,162.40 worth of automobiles. In the same year, 140,022 workers in the wool textile industry manufactured cloth valued at $685,311,713 or $4,894.31 worth of cloth per worker.

Because of the mass-production nature of the automobile industry, one auto worker produced a value more than twice as great as the outturn of a worker in our industry. Therefore, if automobiles are exported from Detroit to foreign markets and are counterbalanced by importations of wool textiles in equal value, two jobs would be destroyed in America for every one created.

PREVIOUS EXPERIENCE UNDER THE TRADE AGREEMENTS ACT

The last schedule of duty rates set by the Congress of the United States was the Tariff Act of 1930. In 1934 Congress abdicated its direct control of tariff rates to the executive branch of the Government (principally the Department of State) under the terms of the original Trade Agreements Act. Since that time various reductions in tariff schedules have been put into effect through a process of bargaining with other nations and under the operation of the "most favored nation clause."

Due to a chain of circumstances and world events, the full impact of these tariff reductions has not as yet borne down on American industry and labor except in certain particular cases.

In 1939, World War II started in Europe, and the wool textile mills of Britain and the Continent were unable to operate under anything approaching normal conditions. These mills had to produce necessary military fabrics for the needs of their own country; many of their workers were drawn off either into the armed forces or into other defense industries, and ultimately the mills themselves in many cases were bombed out, or in the case of continental mills, actually seized by the enemy. Obviously these factors prevented these mills at that time from availing themselves of our lower tariff rates and capturing a still larger share of our domestic market.

When we come to the postwar year of 1947, these foreign mills began to pick up their normal production, and by 1948 they were operating even more fully. Wherever possible their products were channeled into the American market in order to secure dollar exchange. This trend is clearly shown by the fact that the importation of woven wool fabrics into this country on a square-yard basis was twice as much in 1948 as it was in 1947.

Conditions of trade in 1949 became disturbed first by the mounting remors of the devaluation of sterling, and later in September of that year by the actual devaluation which took place. Because of these factors, the importation of woven wool fabrics into this country in the year 1949 was approximately the equivalent of that in the year 1948.

In 1950 the picture was further disturbed by the International Trade Conference at Torquay, England, which was announced early in the year and which actually convened that autumn. This conference is still in session behind closed doors, and the affected industries of the United States have no means of knowing as yet what further damaging cuts in tariff schedules may be agreed to.

However, in the year 1950, the rising trend of imports of wool fabrics into this country again became increasingly evident. In the wool textile industry, prior to the Korean incident which began on June 25, 1950, many of the wool mills in this country were operating at about 50 percent of capacity. In more than one case large mills were closed entirely and even scrapped.

The Textile Workers Union of America, CIO, representing some 70,000 workers in the wool textile industry, became alarmed at the shorter hours and the lay-offs which were occurring and which were being caused in large part by the competition of low cost foreign labor. They viewed with even greater fear the impact of the future.

Mr. Emil Rieve, president of the Textile Workers Union of America, CIO, testified before the United States Senate Committee on Finance on February 27, 1950. He was asked the question: "Are imports bothering you much?" His answer was: "They are beginning to. Yes, very much."

At the annual convention of that union held in Boston in the spring of 1950, the convention passed resolution No. 26 pertaining to the reciprocal trade and international labor standards. This resolution read in part as follows:

"*Therefore, be it resolved by the Textile Workers Union of America, CIO*, That—

"1. We protest to the Committee for Reciprocity Information the granting of any further textile concessions in the forthcoming negotiations (Torquay), and appeal to other branches of the Federal Government to support our position.

"2. We urge the early development by the United Nations of an international code of fair labor practices providing for an appropriate minimum wage and a 40-hour week in the textile industry of all countries.

"3. We call upon the international confederation of Free Trade Unions to seek the adoption of such an international code.

"4. We recommend a special Government investigation, in which labor is represented, to study conditions in the Japanese textile industry and to advise a course of economic development and a foreign trade program for Japan which will be in the best interest of the Japanese people and the other nations of the world."

Early in June Mr. Rieve filed a brief with the Committee for Reciprocity Information in Washington opposing any further reductions in tariff. On June 10, 1950, the official publication of the Textile Workers Union of America, CIO, known as Textile Labor, published a front page article which said in part, "Tariff slash would hit workers. Rieve gives 11 arguments against reductions."

These statements clearly show the fear that exists in the minds of the union, whose members have the most to lose from shorter hours and lay-offs that result from the competition of cheap foreign labor.

Referring specifically to the Forstmann Woolen Co., the manufacture of men's wear apparel fabrics is a very important segment of this company's business. The competition of foreign fabrics from low labor cost countries was particularly disruptive in this particular field. To say that such competition did not affect the merchandising of our fabrics is to disregard the very manner in which our market operates. In fact, such price competition has an unsettling effect on the market, which goes far beyond the actual volume of foreign fabrics that are actually imported.

We can definitely assert that the yardage of men's wear fabrics delivered by this company in the year 1950 represented a decrease of approximately 50 percent from the year 1947. Put in other words, this loss of men's wear business was equivalent to a drop (from 1947 to 1950) of approximately 1,245,378 hours of productive labor. This loss of productive labor was the equivalent of 635 men working at 40 hours per week for one entire year. Not only were foreign fabrics comparable to ours being landed in this country at prices appreciably less than the prices which we were forced to charge; the landed costs of foreign fabrics were even less than the cost of our direct labor and raw material, without overhead or mark-up.

THE IMPACT OF KOREA

When the Korean incident burst upon the world on June 25, 1950, it set off a chain of circumstances which temporarily altered this situation. It immediately became necessary for our Government to plan vastly increased purchases of military fabrics, and the first of the ever mounting list of military contracts was issued. On top of this, the civilian demand was artificially stimulated, and the mills of the wool textile industry again could provide full employment. It should be emphasized, however, that this is a temporary and artificial condition brought about by the impact of actual military operations in Korea and the rearmament program necessitated by the mounting threat of a possible World War III. The activity of the mills and the full employment of their people was not by any

stretch of the imagination an evidence of their ability to meet foreign competition under anything approaching normal conditions.

Despite the impact of Korea, it is interesting to review more fully the actual import figures of woven wool fabrics for the years 1947, 1948, 1949, and 1950. These figures are as follows:

	Square yards	Pounds	Foreign value in dollars
1947			
Worsteds and woolens weighing over 4 ounces per square yard and valued over $2 per pound	3,600,636	1,850,063	$7,043,598
Grand total of all woven wool fabrics (except pile)	4,612,962	2,489,686	8,362,166
1948			
Worsteds and woolens weighing over 4 ounces per square yard and valued over $2 per pound	8,035,409	4,101,468	17,147,488
Grand total of all woven wool fabrics (except pile)	9,236,516	4,703,319	18,650,683
1949			
Worsteds and woolens weighing over 4 ounces per square yard and valued over $2 per pound, but not over $4 per pound	2,535,532	1,389,340	4,136,282
Worsteds and woolens weighing over 4 ounces per square yard and valued over $4 per pound	5,310,028	2,356,445	12,938,617
Grand total of all woven wool fabrics (except pile)	8,917,190	4,277,724	18,416,390
1950			
Worsteds and woolens weighing over 4 ounces per square yard and valued over $2 but not over $4 per pound	7,561,271	3,912,949	11,833,594
Worsteds and woolens weighing over 4 ounces per square yard and valued over $4 per pound	7,805,940	3,470,950	17,638,909
Grand total of all woven wool fabrics (except pile)	18,527,979	9,162,704	33,114,445

NOTE.—The breakdown of data on fabrics valued at over $4 per pound is available for the years 1949 and 1950, but not for the previous years.

The importance of these figures is not so much in the total quantities shown as it is in the ever-increasing upward trend.

In the year 1949, the volume of imported wool fabrics had increased by 93.3 percent over 1947 on a square-yard basis. On dollar valuation, it had increased by 120.2 percent.

For the year 1950, the volume of imports of woven wool fabrics, whether on a square-yard basis or a dollar basis, was four times as great as in the year 1947.

Furthermore, of the total imports of 1950 on a square-yard basis, 42.1 percent were in the classification of worsteds and woolens valued over $4 per pound. This is the category which directly competes with the products of the Forstmann Woolen Co.

THE PRODUCTIVE POTENTIAL OF FOREIGN MILLS

The wool-textile mills of Europe and Great Britain have the potential productive capacity to take over our entire domestic market if they were afforded the opportunity. Surprising as this statement may seem, it is substantiated by the following figures taken from an official brochure published by the United States Tariff Commission in 1949, entitled "Woolens and Worsteds Report No. 29." This bulletin shows that in the late 1930's the mills on the Continent and in the United Kingdom, plus installations in Australia and Japan, had available 14,404 combing machines, 21,781,000 spindles, and 369,659 looms. The installations in the Soviet Union have been deducted from these totals. During the same period, the wool textile industry in the United States had 2,613 combing machines, 3,676,000 spindles, and 50,756 looms.

While many of these foreign mills suffered physical damage during World War II, we have reason to know that not only has this damage been repaired, but in many respects these mills have been modernized by the acquisition of the latest and most efficient machinery. Consequently, it is fair to say that their potential production, if anything, is greater now than it was before the war.

The potentiality of this foreign competition can be viewed from another angle, namely, the consumption of raw wool. Again referring to Report No. 29 of the United States Tariff Commission, in the year 1937 the countries of Europe and

Great Britain, plus Australia and Japan, but excluding the Soviet Union, consumed 2,616,000,000 pounds of wool. In the same year, the United States consumed 776,000,000 pounds.

It is important to note more recent figures on the consumption of raw wool. By far the most important raw-wool market in the world is in Australia. For the current wool-buying season in Australia, we find that the shipments to date of wool by bales to the countries of Europe and Great Britain and Japan, but excluding the Soviet Union, amounted to 1,320,000 bales, whereas the shipments to the United States amounted to 176,000 bales.

THE PART WHICH OUR INDUSTRY PLAYS IN OUR CIVILIAN AND MILITARY ECONOMY

During World War II our wool textile industry, without the addition of new machinery and subsidies, produced approximately 604,000,000 yards of military fabrics and 205,000,000 yards of wool military blankets for 11,000,000 members of our Armed Forces, in addition to supplying the needs of our civilians without resorting to clothes rationing, plus extensive quantities of fabrics for lend-lease and for military use by our allies.

This is evidence that our wool textile industry is still able, without expansion, subsidies, or rationing, to meet the current military needs of our military program, and in addition to take care of the needs of our civilian population.

However, if the wool textile mills of the United States are now to be required to devote some 30 percent or more of their capacity to the production of military fabrics, plus meeting the needs of our civilian population, this will leave open to our foreign competitors a still greater civilian market than they have ever previously enjoyed, in meeting the civilian purchasing power for clothing which goes beyond actual need. For example, during World War II while the clothing needs of the civilians were met by our domestic industry, there is no doubt that tremendous additional yardage of apparel fabrics could have been sold had they been available, because the civilians had money to spend which could not be used for the purchase of unavailable hard goods such as automobiles, radios, refrigerators, etc. This extra so-called luxury demand for clothing beyond ordinary needs could not be met by foreign mills because of the conditions prevailing in Europe during World War II.

Today, however, the situation is greatly different, because the European and English mills are not operating under conditions of actual warfare. They are not subjected to actual military attack and bombings and their countries are not rearming to the extent that we are here in America. Consequently, these European mills are ready and eager to take over whatever additional segments of our domestic market may be opened to them through tariff schedules which are already too low and which may be lowered still further, and because of the occupancy which our mills are devoting to military production.

Admittedly our domestic mills and their employees may not immediately suffer from this foreign competition during the existence of the present emergency and the highly artificial stimulations which such an emergency inevitably produces. But what will happen when our rearmament program catches up with foreseeable needs? When the Korean incident ceases to exist and when countries return to something more nearly approaching normal, then our domestic mills will not be buttressed by ever-mounting military orders nor by an artificially stimulated civilian demand. Once again the internal competition of the hard goods industries and their products will enter the civilian market in full force, and once again our industry will be eagerly competing for domestic civilian business. What then will be the situation? We then will likely find that foreign wool textile mills, operating as always under far lower labor rates and other manufacturing costs, will have captured a much greater portion of our civilian market than even the current increased figures show. Once they are so established, once they have gained consumer acceptance and have established definite habits among our people for foreign purchasing, it will then be exceedingly difficult, if not quite impossible, for the domestic mills to recapture their own historic market, especially if the standard of living of our workers is to be protected against cheaper foreign labor. Then will come the day when the mills of our industry will not have sufficient orders to keep running, when mills will operate on greatly reduced schedules or close entirely, and the employees will have to be laid off. Then indeed the industry may well be forced to liquidate and lose forever large and vital segments of their productive capacity. Discharged employees with too much pride to go on the dole will seek work in other industries, and skills, too, will be forever lost.

This may seem like a farfetched and unduly gloomy picture, but may we point out that substantially this same result has already taken place in our American

watch industry through the competition of Swiss watchmakers, whose wages are from one-third to one-fourth of the wages paid by our domestic watch manufacturers. We quote herewith from the statement made by Walter W. Cenarazzo, national president of the American Watchworkers Union, as given to the House Ways and Means Committee on January 25, 1951:

"As the representative of American watchworkers, it is my job to protect their economic interest not only at the collective bargaining, but in all matters that affect their future livelihood, which brings us to the very important point.

"The Elgin National Watch Co. is America's largest watch manufacturer. They have plants in Elgin, Ill., and Lincoln, Nebr. A year ago they had substantial lay-offs. Their inventory was piling up and only the war economy caused by the Korean conflict brought some of these people back to work. Hamilton Watch Co. also had a lay-off simultaneously. We had 2,000 less workers at Elgin and Hamilton in June of 1950 employed than we had in February of 1949, and 2,300 not working at all in Waltham."

As in the case of wool textile workers, the skill of qualified watchmakers is an essential to this country's protection in time of war when these workers are called upon to drop their ordinary civilian orders and concentrate on the production of various delicate, scientific instruments. If these workers are laid off and driven through hardship into other pursuits, their skill too will be lost.

THE ESSENTIAL NATURE OF OUR INDUSTRY IN TIME OF WAR

All military authorities agree that proper military clothing, especially clothing made of wool, is as important as airplanes, tanks, or guns in the successful waging of any war. There is ample testimony to this effect.

It is a known fact, for instance, that one of the factors which contributed to the defeat of the German Army when they invaded Russia was their serious lack of adequate woolen clothing.

Under date of January 9, 1946, Lt. Gen. E. B. Gregory, then the Quartermaster General of the Army Service Forces, wrote to our company, testifying as to the military importance of the textile industry's contribution to our national war effort and the ultimate attainment of victory. This has more recently been reaffirmed in a statement from Secretary of War Alexander to Senator O'Mahoney.

As recently as February 21, 1951, General Middleswart, Chief of the Procurement of Textiles for the Quartermaster Depot, in testifying before the Woolen and Worsted Advisory Committee of the National Production Authority in Washington, stressed the importance of military fabrics by pointing out that a current lack of finished textiles for military uniforms was directly impeding our rearmament program. He stated in effect that at the moment the Armed Forces could not induct men as quickly as they would desire because they did not currently have delivered the wherewithal to clothe these men properly. There can be no question that our industry is set up to supply all of these needs and more if they are given necessary minimum time in which to produce the finished fabrics, but this statement of General Middleswart is glowing testimony to the importance of proper wool clothing for the military.

Our Government further recognizes the importance of wool clothing for military purposes by the various plans which have been discussed and developed for the emergency stockpiling of large quantities of raw wool as a strategic commodity.

Our industry faces these emergency problems of military procurement with confidence. What worries us is the very real danger of what will happen when the Government is no longer a heavy purchaser of such supplies and we must then rely on a normal civilian market which has been captured to an ever-increasing extent by foreign competition.

When and if that day comes and our plants are forced in large part to liquidate and the skills of our employees, acquired through many years of training and experience, are dissipated and lost, what will then happen if world war III should descend upon us? Then we will not be able to look for help from the European or British textile mills for they may well be largely seized or destroyed, and if not, they will have urgent, immediate needs of their own countries to fulfill. At such a time our country will be forced again to rely for essential military fabrics, as well as necessary civilian materials, upon our own domestic industry. If our industry is strong and flourishing, it will ably meet the challenge; but if it has been disseminated as has our watch industry by a strangle hold of competition from cheap foreign labor, then our predicament will be serious indeed. In other words, if for no other reason, it is vitally essential that our industry be kept in

a condition to meet all of our requirements, both civilian and military, in the event of another unhoped-for world war, which could well isolate us from the rest of the world.

SOLUTION TO THE PROBLEM

The Forstmann Woolen Co. has consistently argued against repeated extensions of the Reciprocal Trade Agreements Act, and we are known as advocates of a flexible quantitative import quota plan for manufactured wool products.

Official Government statistics show that the importation of woven wool fabrics on a square-yard basis for the years 1919 through 1948 represented on the average 1.68 percent of the volume of such goods manufactured here. If you exclude from these figures the years 1943 through 1946, when imports were admittedly at a low ebb because of the impact of World War II, the percentage of imports to domestic production is still only 2.07 percent.

Therefore, we have previously proposed and still believe—

(*a*) That the imports of woven wool apparel cloth and articles made from such cloth should be limited in any year, on a basis of square yards involved, to not more than 5 percent of our domestic production of woven wool cloth in the preceding year.

(*b*) That of the total annual imports of woven wool apparel cloth and articles made from such cloth, no more than 25 percent of such imports, on a square-yard basis, should be in any one of the price classifications set up in paragraphs 1108 and 1109A of the Tariff Regulations.

(*c*) That the importation of wool yarn and wool knit items in any given year be limited on a pound basis to not more than 2 percent of the total do-domestic production of wool sales yarn in the preceding year.

Such a proposal has flexibility because in years that were prosperous and where the demand was accelerated, our domestic production would be up, and consequently a greater volume of imports would be admitted. In years of low demand and a glutted market when domestic production was down, the volume of imports would be correspondingly curtailed.

If desired, the permissible volume of imports could be linked even more currently to our domestic-market conditions by projecting at the beginning of each calendar quarter the permissible volume of imports for the next 12 months, based on 5 percent of domestic production for the preceding 12 months.

The proposition that the imports of wool woven apparel cloth and articles made from such cloth be not more than 5 percent of our domestic production in the preceding year is generous in that it exceeds the actual percentage imported over the last 30 years or more. More important still, our own Government has recognized that the importations of wool fabrics in excess of 5 percent of domestic production is a danger point, because the following regulation is currently a part of their official Tariff Regulations governing such products:

"Right reserved by the United States to increase to 45 percent the ad valorem part of the rate on any fabrics which are entered in any calendar year in excess of an aggregate quantity by weight of 5 percent of the average annual production of similar fabrics in the United States during the three immediately preceding calendar years."

The great advantages of a flexible-quota plan such as we have very briefly outlined here are—

1. The quantities admitted would not be subject to such vagaries as currency manipulation or devaluation, foreign government subsidies, or other artificial factors which are a familiar part of any completely controlled economy. A square yard is still a square yard.

2. Our domestic producers and our customers would know that although they might be faced with a certain volume of foreign imports, that volume would not exceed certain reasonably prescribed limits. Plans could be made and adjustments effected accordingly. It is the ever-increasing threat of an avalanche of imports which disturbs the market and restrains the forward planning of management and investors in the industry.

On the other hand, if it is the wish of Congress that the Trade Agreements Act be extended again, we believe, as the House of Representatives has already agreed to in its version of the bill, that the renewed act should contain a proper, practical, and workable peril-point clause and escape clause.

Let us first consider for a moment the peril-point clause. We believe that it should be mandatory on the Tariff Commission, whenever a list of articles is

announced for possible further tariff reductions, to prepare careful statistical studies which will show—

(*a*) The point below which duties should not be cut in order to avoid disruption and unemployment in American industry.

(*b*) An analysis of the quantity of imports which it is envisioned would enter this country under any further tariff reduction.

Any private company, when it is designing its products and setting its prices for a future period, endeavors to prepare a careful estimate of the volume which they expect to make and sell under such conditions for that period. It is equally logical and important that if the executive branch of the Government desires to reduce a tariff rate which can only be for the purpose of encouraging further imports, that they too should provide the public with information as to the quantity of such imports which they envision as entering this country under the proposed new rate. This would give those interested an opportunity to study and plan for the impact which this volume of imports would have upon their own business, and it would help to remove the disruptive effect of doubt and uncertainty.

In any event, under the peril-point clause, once the Tariff Commission, or some other similarly constituted, independent fact-finding agency of the Government, has after due consideration and study proclaimed a rate below which a tariff reduction should not be made, their proclamation of such peril point should be binding and mandatory upon the State Department and the President of the United States, because the proclamation of such a peril point is rather meaningless if the warning is to be disregarded by those in authority, even though they attempt to explain their disregard to the Congress.

Let us now consider the escape clause. In the Trade Agreements Extension Act of 1951, as passed by the House of Representatives (H. R. 1612), the so-called escape clause reads as follows:

"SEC. 7. (a) If in the course of a trade agreement any product on which a concession has been granted is being imported into the territory of one of the contracting parties in such increased quantities or under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting parties 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 concession in whole or in part, to withdraw or modify the concession or *to establish import quotas*. [*Ours.*]

"(b) Upon the request of the President, upon its own motion, or upon application of any interested party, the United States Tariff Commission shall make an investigation to determine whether any article upon which a concession has been granted under a trade agreement to which a clause similar to that provided in subsection (a) of this section is applicable, is being imported under such relatively increased quantities or under such conditions as to cause or threaten serious injury to a domestic industry or a segment of such industry which produces a like or directly competitive article.

"In the course of any such investigation, the Tariff Commission shall hold hearings, giving reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

"Should the Tariff Commission find, as the result of its investigations and hearings, that serious injury is being caused or threatened through the importation of the article in question, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the *establishment of import quotas* to the extent and for such time as may be necessary to prevent or remedy such injury. [Italics ours.]

"(c) When in the judgment of the Tariff Commission no sufficient reason exists for such a recommendation to the President, it shall, after due investigation and hearings, make a finding in support of its denial of the application, setting forth the facts which have led to such conclusion. This finding shall set forth the level of duty below which, in the Commission's judgment, serious injury would occur or threaten.

"In arriving at a determination in the foregoing procedure the Tariff Commission shall deem a downward trend of production, employment and wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof."

This wording of the escape clause is profoundly interesting for several reasons. In the first place, it is a vast improvement over the previous escape clause here-

tofore contained in the Trade Agreements Act, because the previous clause was so worded and so construed that it was practically impossible for any industry or individual firm to gain relief. In fact, out of all the applications for relief which were filed in Washington, only one, namely the felt-hat industry, ever succeeded in getting anywhere. The old escape clause was a mockery.

The new escape clause is also important because at two points it refers to the possibility of providing remedial action by imposition of import quotas. Import quotas are not new. Our own Government has made use of them on numerous previous occasions, and they are a common practice among other nations, but it is enlightening and encouraging to see the import quota idea, which we have long advocated, made a part of the wording of this escape clause.

There is one important suggestion that we would respectfully like to offer in connection with the wording of this escape clause, which is otherwise so satisfactory. It is our sincere conviction that if the Tariff Commission or any similarly constituted, independent fact-finding agency, after careful study and review, finds that a plea for relief by an industry or by any component part of such industry is deserving, then those tariff schedules or trade concessions which have brought on this injury should be correspondingly changed. This suggested change should not be merely a recommendation to the executive branch of the Government, but should be mandatory. In matters of such importance to the welfare of basic industry and employment in this country, findings of fact should not be left dangling in the uncertain air of a mere recommendation. They should be obligatory unless the Congress chooses to reexercise its constitutional right to intervene as the elected representatives of the people.

Mr. George R. Nelson, of the International Association of Machinists, who was scheduled today, will not appear in person but submits his statement for the record. His union favors the extension of the Reciprocal Trade Agreements Act but does not feel that the peril point amendment is necessary. He does not support any of the House floor amendments.

(The statement referred to is as follows:)

STATEMENT OF GEORGE R. NELSON, GRAND LODGE REPRESENTATIVE, INTERNATIONAL ASSOCIATION OF MACHINISTS, A. F. OF L.

Mr. Chairman and members of the committee, my name is George R. Nelson. I am a grand lodge representative for the International Association of Machinists. My address is Machinists' Building, Ninth and Mount Vernon Place NW., Washington 1, D. C.

The International Association of Machinists appreciates the opportunity to appear before this committee today and present our views on H. R 1612 which proposes to extend the Trades Agreement Act for a period of 3 years. At the very outset I wish to emphasize that we have more than a passing interest in this subject and its future determination by Congress. The 575,000 members of our association are employed in a wide cross section of American industry. We have over 12,000 collective bargaining agreements covering approximately 250 industry classifications. It is, therefore, obvious that trade agreements which regulate imports and exports can, and do, affect both directly and indirectly the standard of living and employment of our members.

It has long been recognized by our association that to promote a high level of industrial activity and employment in this country, it is essential that two-way international commerce be expanded. For the general economic welfare of our country, it is essential that we import necessary raw materials for United States industry and goods for United States consumers under a well-regulated reciprocal trade program. This program is also essential to foreign countries so they can broaden their markets to get more dollars with which to purchase American goods.

History proves that the protective tariffs which were in effect during the 1920's and early 1930's did not accomplish their intended purpose. During this period of our history, when the tariff rates were at their highest point, they failed to provide stable employment or higher wages for American workers nor did they protect jobs and wages of our workers during the depression period of the early 1930's.

Today, the critical and delicate world situation makes our trade relations with foreign countries more important than ever before in history. In keeping with our general national policy of political and economic cooperation with the demo-

cratic forces of the world, it is necessary to continue and strengthen our reciprocal trade program as a part of our effort to combat the forces of Communist imperialism which have disrupted the peace of the world and threaten the political and economic stability of our democratic allies.

In the interest of peace and to strengthen the foreign democracies, Congress adopted the Marshall plan, the North Atlantic Pact, the point 4 program, and the military aid program. The International Association of Machinists favored the adoption of each of these programs. We were the first major labor union in this country to publicly endorse the Marshall plan when it was first made public. We pledged our support to that plan, and since the establishment of the ECA we have continued to give whole-hearted support to its operations and to its continuance until the job which it seeks to accomplish has been fulfilled.

The Trades Agreement Act, although passed by Congress in 1934, is today equally important in our international relations. This act delegates to the President the authority to adjust United States tariff rates either upward or downward to the extent of 50 percent of the rates in effect on January 1, 1945. Its purpose is to expand United States foreign trade, both exports and imports, by reducing the barriers that impede the flow of goods between the United States and foreign countries.

Many trade agreements have been concluded on a reciprocal basis whereby foreign countries have lowered their barriers against American goods in return for equivalent reductions by the United States.

These trade agreements authorized by the act have stimulated foreign commerce and brought to the American consumer certain products which may have been more expensive if there had been no trade agreements program.

The benefits of the program to foreign countries have been equally beneficial as they have tended to broaden their markets and give them more dollars with which to purchase American goods, thus making them less dpeendent on American grants and loans and also better able to help raise their standards of living by their own effort.

Since the Trades Agreement Act was adopted by Congress in 1934, and during the period in which it was renewed six times, it has allowed our reciprocal trades agreement program to provide a method of freeing international trade from restrictive barriers. The act has also become an important symbol to the rest of the world of American willingness to lead in the elimination of the barriers to world trade. It affects an area of international relations about which other countries are particularly sensitive because of the importance of the United States in world trade and the slowness which they believe we have moved in lowering of our own tariffs.

However, in support of the trade-agreement program, we must recognize the need of safeguards to American labor. Specifically we, in the International Association of Machinists, are opposed to the importation of goods into this country when those goods are manufactured under conditions and standards that are so much more unfavorable than the conditions and standards enjoyed by workers in this country. The American workers have fought and struggled for many years to attain the conditions and the wage rates that prevail generally in industry in our country today. We want to retain and, in fact, further improve those conditions and wages. At the same time we want, in all sincerity, to assist our neighboring countries with whom we have friendly relations to regain their economic stability as quickly as possible.

We urge that, in the process of reaching reciprocal trade agreements which will affect the labor standards of our workers, labor should be accorded an appropriate and adequate opportunity of presentation and effectual representation. This opportunity for representatives of labor, industry, and the other consumer organizations would, in our judgment, make it unnecessary to add the peril-point amendment and the other weakening provisions as incorporated by the House of Representatives.

In conclusion, we respectfully request your committee to favorably report H. R. 1612 and appeal for action by Congress so this act will not expire on June 12, 1951. In the light of world conditions which we face today and the decision to postpone consideration of the proposed International Trade Organization, which has been agreed to by representatives of 53 countries at the United Nations Conference on Trade and Employment at Havana in 1948, it makes renewal of this act more significant than ever before.

Repudiation of this act now would only help to undermine the confidence of the peoples of the free world in the long-term intention of the people of the United States to assist them in constructively building toward a more prosperous world.

In addition, if we expect them to join us as a part of an arsenal of democracy for a free world, then we cannot shut the door to their opportunity of improvement through world trade.

I thank you.

The CHAIRMAN. Mr. Richard Tilden.

STATEMENT OF RICHARD A. TILDEN, GENERAL COUNSEL, CLOTHESPIN MANUFACTURERS OF AMERICA

The CHAIRMAN. Have a seat, Mr. Tilden, and proceed with your statement.

Mr. TILDEN. My name is Richard A. Tilden, and I am an attorney with offices at 441 Lexington Avenue in New York City. I am appearing on behalf of the manufacturers of more than 95 percent of all the spring clothespins produced in the United States. These manufacturers are all members of a trade association known as the Clothespin Manufacturers of America, for which I act as general counsel.

Although the spring-clothespin industry is small and possibly quite unimportant in the over-all economy of the United States, the story of this industry's battle for survival under the trade-agreements program may be of some assistance to this committee in determining what, if any, restrictions should be placed on the President's authority to continue granting concessions in trade agreements with foreign countries.

Before giving you a brief outline of this story, I would like to state that the manufacturers represented by me favor amendments to the basic Trade Agreements Act to afford additional protection to American industries competing in the domestic market against foreign merchandise produced with low-cost labor. They recommend adoption of three principal provisions. These are:

1. The so-called peril-point amendment, to limit the President's authority in the granting of future concessions to those concessions which will not cause or threaten serious injury to domestic industries. The form of the peril-point provision included in H. R. 1612, as passed by the House of Representatives, is satisfactory, and the industry strongly urges the adoption of this provision by this committee and by the Senate.

2. A prohibition against extension of any concessions to Russia or any countries dominated or controlled by Russia. Again the form of such prohibition contained in the bill as passed by the House is satisfactory to the industry and is recommended for your favorable consideration.

3. Provision requiring that every trade agreement be subject to an escape-clause procedure establishing precise criteria to be applied by the United States Tariff Commission and by the President in determining whether it shall be invoked in individual cases. The provisions contained in the bill as passed by the House are steps in the right direction but do not go far enough, for reasons which I expect to demonstrate.

Although this industry strongly favors the peril-point amendment as a deterrent to the wholesale granting of future concessions, it is concerned principally with the urgent need to revise the escape-clause procedure so as to make it an effective safeguard against the importation of foreign merchandise in such quantities as to seriously injure or

threaten injury to domestic industries. Accordingly, my remarks today will be designed to demonstrate the inadequacy of the present escape-clause procedure.

In February 1948, the United States Tariff Commission, in response to a resolution of the House Committee on Ways and Means, established the criteria which it stated would be followed in acting on escape-clause applications. The experience of the spring-clothespin industry clearly illustrates the fact that these criteria have been completely ignored by the Commission in the past, and illustrates the need for the imposition by Congress of definite standards which the Commission will be required to follow.

Despite the fact that a large number of industries have been threatened with serious injury and a number have already been injured, only one concession has been withdrawn or adjusted under the present escape-clause procedure, and that within the past few months. Although a large number of industries have requested investigations by the Tariff Commission, only three such investigations have been conducted, the first being that of the spring-clothespin industry.

The spring-clothespin industry fully established that it was seriously threatened with injury if additional tariff protection were not granted. The Tariff Commission refused to recommend withdrawal of the concession despite such showing. As I expect to demonstrate, this decision was actually based on a determination that the industry had not been seriously injured as yet; so, nothing should be done to protect it against the serious injury which clearly threatened. In short, the decision was to the effect that no relief should be granted since the patient was not yet dead.

Prior to World War II, the production of spring clothespins was relatively small, due to the competition of standard slotted pins. The higher cost of spring pins gave standard pin manufacturers a distinct competitive advantage. Notwithstanding this factor, the demand for spring clothespins gradually increased from slightly over 1,000,000 gross in 1937 to a little over 2,000,000 gross in 1941. Imports, which constituted less than 2 percent of domestic sales, were not an important factor in the spring-clothespin market.

Few, if any, of the producers made any real profit from their spring-clothespin sales. They were building for the future and hoping to develop a real market for spring clothespins which would enable them to operate on a profitable basis.

Then along came the war, and the steel which had previously been used for wire was needed for other purposes. Spring-clothespin manufacturers had to discontinue this item and were unable to resume production until the latter part of 1945. Wire supplies did not get back to normal, however, until well into 1947, with the result that foreign manufacturers got the jump on domestic producers and acquired a substantial part of the domestic market.

As the demand leveled off during 1947 and 1948, price became the important factor in competing with imported pins. Since foreign pins were selling at prices substantially below the actual cost of production in the United States, the industry during 1948 reached the conclusion that it had to have additional tariff protection if it were to survive. The Tariff Act of 1930 established a 20-cents-per-gross rate of duty. In 1935 this was reduced to 15 cents in a trade agreement with Sweden. In 1943, in a concession to Mexico, the rate was further reduced to

10 cents per gross. On November 10, 1948, the industry filed an application for an investigation and hearing by the Tariff Commission, under the escape clause in the Mexican agreement. This investigation and hearing were ordered by the Commission on April 27, 1949.

Shortly after the application——

Senator MILLIKIN. It is my understanding that we have abandoned the Mexican agreement.

Mr. TILDEN. That is correct, Senator.

Senator MILLIKIN. How does that affect the situation?

Mr. TILDEN. At Annecy, France, I believe in 1949, in the trade-agreement negotiations at that time, the rate of 10 cents per gross was bound in the agreement with Sweden, so that though the Mexican agreement has been eliminated the rate remains 10 cents per gross because of having been bound in the Swedish agreement.

Shortly after the application was filed, the fears of the industry began to materialize.

Senator MILLIKIN. May I ask which country brings the most clothespins into this country?

Mr. TILDEN. Mostly from Sweden. Denmark ships in a great many; and, during the period immediately following the granting of the concession to Mexico, Mexico shipped a very substantial quantity.

Senator MILLIKIN. Which was the principal supplier prior to the Mexican agreement?

Mr. TILDEN. The principal supplier prior to the Mexican agreement was Sweden. The Mexicans shipped no spring clothespins into the United States until after the concession was granted to Mexico, which of course brings up what one of the earlier witnesses mentioned: that here was a concession granted to Mexico which had never been a supplier in the past. However, Sweden and Denmark, as the principal suppliers under the most-favored-nation clause, got the principal benefit of it.

Shipments during the first 6 months of 1949 were more than 300,000 gross less than the previous 6-month period. Stocks on hand increased alarmingly, with the result that many plants had to close down for varying periods of time. Some went on a part-time basis, operating only 2 or 3 days a week.

On December 20, 1949, in the midst of one of the industry's worst months, the Tariff Commission announced that it did not consider that imports were causing or threatening serious injury to the domestic producers and refused to recommend any change in import duty.

Senator MILLIKIN. Mr. Chairman, may I ask the witness the meaning of a sentence.

The CHAIRMAN. Yes.

Senator MILLIKIN. You say: "Shipments during the first 6 months of 1949 were more than 300,000 gross less than the previous 6-month period."

Whose shipments?

Mr. TILDEN. Shipments of domestic producers.

Senator MILLIKIN. Of domestic producers.

Mr. TILDEN. Yes, sir.

Senator MILLIKIN. Thank you.

Mr. TILDEN. Before discussing this decision, I would like to give you a few of the basic facts, most of which were before the Commission at the time it made its decision. To assist the committee in following

the figures which I propose to present, copies of four charts which are self-explanatory have been provided. You will find them attached to the back of my statement.

Your attention is called to the fact that exhibit 3 shows that imports during the years 1937, 1939, and 1941, which years are representative of the period prior to the concession, were a fractional percent of domestic production, the high being 1.4 percent in 1937. Imports during this period, when the 15-cent per gross duty was in effect, never exceeded 25,000 gross per year. The exhibit further reflects the fact that, since the concession was granted in 1943 lowering the rate of duty to 10 cents per gross, the percentage of imports to domestic production has risen rapidly.

Imports during 1950 of 984,000 gross thus compare with a preconcession maximum of 25,000 gross.

Senator KERR. Referring to 1946, there were imported 3,000,000 gross, according to the chart. Is the chart accurate?

Mr. TILDEN. 1946 and 1947 were actually extremely abnormal years for the reason that, if you will notice from exhibit 2, there were no imports and no domestic shipments during the war years. During that period of time the demand for spring clothespins developed. The housewife used up all the spring clothespins she had, and as soon as the war was over and they again became available the demand was tremendous and absorbed all of the pins that could be imported or that could be produced in this country. That, I think, accounts for, in part at least, the very substantial quantities that were imported primarily from Mexico in 1946. Does that answer your question, Senator?

Senator KERR. Yes. I asked if the chart was accurate in stating or showing that the 1946 imports were 3,000,000 gross.

Mr. TILDEN. The chart is accurate. It is based upon Department of Commerce figures which were reaffirmed by the Tariff Commission in its report to the President.

Senator KERR. As I read this chart since 1946 the imports exceed 3,647,984 for 1950 and that the domestic production increased 1,246,000 in 1950.

Mr. TILDEN. That is correct. I attempted to point out what we feel is the basic reason for that—namely, the abnormal demand immediately following the war.

Senator KERR. Production was at an all-time high.

Mr. TILDEN. That is so.

Senator KERR. Running apparently 100 percent over the 10-year average, or the average for 12 or 15 years.

Mr. TILDEN. That is correct. As I intend to point out a little later in my statement, Senator, the point we are concerned about is the fact that although there has been a substantial increase in demand in the United States, the domestic producers have received only approximately 37 percent of that increased demand as compared with 63 percent which went out to the foreign producers.

Senator KERR. I do not see how you get that figure, in view of the fact that apparently the imports represent over 75 percent of the demand in 1946 and only about 22 or 23 percent in 1950.

Mr. TILDEN. Those figures that I just gave you are based upon a comparison of 1947, 1948, and 1949 as compared with preconcession, the concession being granted in 1943. I think you are comparing

them with the 1946 figure which is after the concession was granted and which was an extremely abnormal year.

Senator KERR. Production is three or four times what it was before the concessions were granted. That is right, is it not?

Mr. TILDEN. That is correct, but if you will compare the domestic production for the last few years with domestic production in 1941 which was the first year preceding the concession, before the war, you will notice that the imports in that year were, I believe, 25,000 gross.

Senator KERR. According to this in 1941 there were no imports.

Mr. TILDEN. All right. I retract my 25,000. The imports in 1941 were zero. In 1947 or 1948, for example, they rise to 876,000 in 1947 and it is 1,064,000 in 1948, which means that they acquired that part of the increased demand..

The figures actually work out to show that they received 63 percent of the increased demand in 1947.

Senator WILLIAMS. When was the concession given?

Mr. TILDEN. 1943.

Senator MILLIKIN. What percentage of the market is now occupied by the domestic industry?

Mr. TILDEN. Approximately 75 percent.

Senator WILLIAMS. Before the concession what percentage did it occupy?

Mr. TILDEN. About 99—98 and a fraction percent.

Senator WILLIAMS. Domestic production increased according to your chart about 50 percent before the concession.

Mr. TILDEN. That is correct.

Senator WILLIAMS. And the imports have increased about 40 times, is that right?

Mr. TILDEN. That is right.

The CHAIRMAN. All right. Your complaint is that you are not getting your proportionate part of the increased demand. Is that so?

Mr. TILDEN. That is my position.

The CHAIRMAN. All right, proceed.

Mr. TILDEN. Imports during 1950 of 984,000 gross thus compare with a preconcession maximum of 25,000 gross. Domestic production in 1950 of 3,669,000 gross compares with a preconcession maximum of 2,013,000 gross. On a percentage of production basis, 1950 imports represent slightly less than 27 percent of domestic production as compared with a high of 1.4 percent prior to the concession to Mexico.

These figures demonstrate conclusively that there has been a very substantial increase in imports since the concession to Mexico was granted. Foreign manufacturers have to date taken over more than one-quarter of the American market. The necessary spread between prices for domestic and foreign pins, due to differences in cost of production, is making it possible for the foreign manufacturers to gradually take over the entire domestic market. This fact is clearly demonstrated by the fact that domestic shipments during the past few months have decreased substantially while imports have skyrocketed.

While I am not going into any detail as to domestic costs and their comparison with foreign prices, I would like to summarize those figures so that the committee can get a picture of the seriousness of this situation.

Average domestic costs, weighted on the basis of production, ranged from 81 to 85.8 cents per gross during the years 1948 to 1950. These

figures include selling and administrative costs and average freight costs, but no profit. Accordingly, they represent the average cost to the domestic manufacturer, delivered to the buyer's place of business.

The CHAIRMAN. Most of the gain in cost came from increased cost of labor, I assume.

Mr. TILDEN. A very large percentage of that is increased cost of labor. Approximately one-half of the cost of spring clothespins is represented by direct labor.

Senator MILLIKIN. What States produce spring clothespins?

Mr. TILDEN. They are produced in plants in Maine, Vermont, Michigan.

The CHAIRMAN. Connecticut?

Mr. TILDEN. West Virginia. Connecticut is not in it.

The CHAIRMAN. It is not?

Mr. TILDEN. No, sir.

Senator MILLIKIN. Does a special type of wood have to be used in the manufacture of spring clothespins?

Mr. TILDEN. They are almost all made with either birch or gum; most of them are birch.

The CHAIRMAN. What is the capacity of the developed industry in this country?

Mr. TILDEN. About 2½ to 3 times its present total demand in the United States.

The CHAIRMAN. In other words, you could supply the demand twice over, at least?

Mr. TILDEN. That is right.

The CHAIRMAN. All right, proceed.

Mr. TILDEN. This average delivered cost to the domestic manufacturers of 81 to 85 cents per gross compares with actual delivered prices of imported pins of as low as 41 cents per gross. From this comparison alone, it should be obvious that domestic manufacturers cannot hope to retain even a small part of the domestic market without a substantial increase in the import duty.

The CHAIRMAN. Are the imported pins the same type as the domestic pins?

Mr. TILDEN. They are the same type.

The CHAIRMAN. Are they metal?

Mr. TILDEN. No; they are all made of wood with the spring holding the two pieces of wood together. Some of the imported pins are a little smaller than domestic pins.

The CHAIRMAN. I see.

Mr. TILDEN. But Sweden and Denmark within the last 2 years have started to produce the large-type pin which is identical to the American pin.

Senator KERR. Let me ask you; what is the present tariff concession?

Mr. TILDEN. 10 cents per gross.

The CHAIRMAN. Originally it was 20 cents per gross.

Mr. TILDEN. Originally it was 20 cents in the act of 1930 and has been reduced by successive steps, down to 10 cents per gross.

Senator KERR. They are now shipping and delivering the pins into this country at 41 cents?

Mr. TILDEN. The 41-cent price probably represents a low.

Senator KERR. What is the price at which they are being shipped in, then?

Mr. TILDEN. It is almost impossible to tell, Senator, for this reason, that the assigned value or the declared value does not mean too much because of the fact that the duty is imposed on a per-gross basis rather than an ad valorem basis.

Senator KERR. But do you not know at what price they are selling?

Mr. TILDEN. Well, Senator, they are now selling at—the price of the large pins at the present time will range from 60 to 80 cents per gross, on the imported pins.

Senator KERR. 60 to 80 cents per gross.

Mr. TILDEN. On the imported pins. The 41-cent price I gave you is the price paid by Montgomery Ward Co. about a year and a half ago.

Senator KERR. What is the average now being paid for the imported pins?

Mr. TILDEN. I have no way of knowing that, Senator.

Senator KERR. You would not even care to make a guess?

Mr. TILDEN. No; I would not, sir.

Senator KERR. Well, you said it ranged from 50 to 80 cents.

Mr. TILDEN. The only information we are able to get as to the price charged is the quotations made by importers; and those range from 50 to 80 cents.

Senator KERR. And that includes the tariff?

Mr. TILDEN. That includes the tariff, that is the delivered price in the United States.

Senator KERR. And if there were no concession the effect would be to increase that price about 10 cents?

Mr. TILDEN. That is correct.

Senator KERR. What is the average selling price of the domestic pins?

Mr. TILDEN. The average selling price of the domestic pins will run around $1 to $1.05.

Senator KERR. Well, then, if they had no concession they would still be underselling you from 15 to 25 cents.

Mr. TILDEN. That is quite correct. We recognize that even though the escape clause is evoked we have not completely solved the problem—but at least we would have gone one step.

Senator KERR. You would have lessened the difference.

Mr. TILDEN. We would have lessened the difference between the two prices.

Senator KERR. All right.

Mr. TILDEN. At this point, it should be noted that information received by the Tariff Commission and official reports from the American Embassy in Stockholm, indicate that Sweden and Denmark would have no difficulty in supplying the entire demand for spring clothespins in the United States.

Another fact which is of considerable importance, is the threat of a flood of imports from behind the iron curtain of spring clothespins produced by slave labor. In the last year and a half more than 12,500 gross of spring clothespins have been imported from Czechoslovakia and Austria. Some of these pins were offered in Chicago at a price of 35 cents per gross, f. o. b. Chicago, duty paid. Others entered the United States at a declared value of less than 27 cents per gross. Al-

though the quantity thus far imported from Russian-controlled territory has not been great, the price at which they have been offered constitutes a very serious threat to domestic producers.

Senator MILLIKIN. Mr. Chairman, may I ask the witness whether spring clothespins are manufactured by hand operations or through the use of machines.

Mr. TILDEN. It is primarily by machine. The assembling of the pieces, the two wooden pieces with the spring is a hand operation but the actual production of the wood in the two pieces is a machine operation.

These are the facts upon which the Tariff Commission based its determination that imports of foreign spring clothespins present no threat of injury to the domestic industry. Such determination cannot possibly be supported by the facts. The Commission actually determined that the spring clothespin industry was not yet dead—hence it needed no help—and then proceeded to try to justify a refusal to grant any relief. The opinion does not even attempt to discuss the question of possible threat of injury, but is confined to a discussion of the Commission's reasons for believing that the industry had not yet been injured.

Commissioner Gregg filed a strong dissenting opinion in which he found that the industry had not only already suffered serious injury from imports, but that even more serious injury was threatened. At this point, I would like to ask permission to insert the full text of Commissioner Gregg's opinion in the record of this hearing.

The CHAIRMAN. You may file it with the clerk for the information of the committee.

Mr. TILDEN. Mr. Gregg's opinion forcefully condemns the failure of the Commission to consider cost-of-production data.

The majority opinion explains the Commission's failure to consider such data in the following language:

> It did not appear that checking the costs submitted by the applicants would be of aid in arriving at a proper decision.

This explanation is a clear indication that the Commission was concerned only with evidence of actual, existing injury. The cost figures, when compared with prices for imported spring clothespins, clearly showed a serious threat of injury, but the Commission felt that it did not need to consider such cost figures in arriving at a "proper decision."

In effect we were told that there had been no injury, and no threat of injury, to the domestic industry since the increased demand for spring clothespins enabled domestic producers to increase their sales during 1947 and 1948 despite increased imports.

The Commission's reasoning ignores the fact that foreign manufacturers obtained a far greater part of this increased demand than did domestic producers.

Considering 1941 as the prewar level, 1947 showed an increase in consumption over prewar of 1,389,000 gross. Of this total increase, imports represent 876,000 gross, or approximately 63 percent. Domestic producers obtained only 37 percent of this increase—despite the fact that the increase was due to their sacrifices and efforts prior to the war.

The 1948 increase over 1941 of 1,717,000 gross was divided in almost exactly the same manner. Imports increased 1,064,000 over

1941 and thus took up approximately 63 percent of the total increase. The balance of 37 percent went to the domestic producers who were responsible for the increase.

As I mentioned at the beginning of my statement, the Commission itself established the criteria regarding injury to domestic producers, in response to a resolution of the House Committee on Ways and Means. This criteria specifically stated, and I am quoting:

> An important indicator as to injury will be whether or not an increase has occurred, or is threatened, in the ratio of imports to production. Where imports have shown an absolute increase, an increase in the ratio of imports to domestic production may occur (*a*) if domestic production has decreased, (*b*) if it has remained stationary, or (*c*) if it has increased less than the imports. The injury to domestic producers is, of course, most likely to be felt in the first of these cases. Even in the third case, however, the Commission might need to consider whether injury has occurred where there has been a great increase in demand for the commodity and where domestic producers, although increasing their output, have obtained a much smaller share of this increase in consumption than have foreign producers.

During prewar years, foreign manufacturers had less than 2 percent of the total demand. During 1947 and 1948 they had 63 percent of the increased demand as compared with the domestic producers' 37 percent share.

Senator MILLIKIN. The effect of that is, is it not, that it would hold domestic production to a static level?

Mr. TILDEN. That is correct.

Senator MILLIKIN. And their position seems to be that domestic producers have no right to complain if imports capture the natural increase in the market. Is that not the conclusion?

Mr. TILDEN. That is the only conclusion I can reach.

Thus the Commission's action in finding no injury or threat of injury under the above circumstances is directly contrary to its own criteria for determining injury.

In my opinion, the two most important factors in any determination as to the possibility of a threat of injury due to imports, are (1) a comparison of the costs of the domestic commodity with the price at which the imported commodity is being offered for sale in the domestic market, and (2) the effects on profits of the domestic industry's efforts to meet the competition of imported merchandise.

Senator MILLIKIN. Well, does that not only involve a comparison between those prices and the costs of the domestic producer but also should not consideration be given to the potential price of the imported product?

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

Senator MILLIKIN. I mean, if the imported product is operating here on a wide margin obviously it can decrease that margin and at a certain point it will be able to sell below the sales possibilities of the domestic product. Is that not correct?

Mr. TILDEN. That is correct. I think a comparison should be made of the cost of production of the foreign item, preferably; but in many cases it is almost impossible to determine what the actual costs of production are. Accordingly, about all that we have been able to do is to compare it with the selling price of the imported item in this country; that is, compare our own cost of production with the selling price of the imported item.

Senator MILLIKIN. One of the difficulties in finding out the cost in foreign countries in production is the large amount of subsidies that

goes on; the large amount of concealment that goes on also due to State operation and to State trade monopoly, and so forth. Is that not correct?

Mr. TILDEN. That is correct. Another difficulty in this particular instance is the fact that the import duty on spring clothespins is imposed on a per-gross basis rather than an ad valorem basis and as a result no check is made by the Customs Bureau on the declared value at which items are brought into this country. If they were brought in on an ad valorem basis a closer check would be made on the declared value. Accordingly it is a little risky to accept that declared value as any indication of the value of the foreign merchandise.

The CHAIRMAN. All right, proceed.

Mr. TILDEN. The Tariff Commission refused to make a cost comparison, stating that it did not appear that such a comparison "would be of aid in arriving at a proper decision." Moreover, the Commission, as shown by the opinion of Commissioner Gregg, ignored the effect on profits of price reductions made by the domestic industry in order to meet the competition of imported pins. The Commission merely concluded that since the total shipments made by the domestic industry were greater than those made prior to World War II, the industry needed no relief. The only logical conclusion that I can reach is that the Commission was afraid of the results of cost comparison and of an analysis of profits—was afraid that such a comparison and analysis would not justify a finding of no threat of injury, which it has to make to warrant a refusal of the relief requested by the industry.

The spring clothespin industry today is facing an even more difficult situation than the one I have just described. Exhibit 4, which the members of this committee have before them, shows the trend of costs, average prices and net profits during the past three years. It will be observed that the industry's net profit on packaged pins decreased from 12⅓ cents per gross in 1948 to 5⅓ cents in 1950. The decrease in net profits on bulk pins was even more striking—from 11½ cents per gross in 1948 to a loss of more than 6 cents per gross in 1950.

The CHAIRMAN. Well, you probably will escape any excess profits tax. [Laughter.]

Mr. TILDEN. That is one of the advantages, sir; I cannot think of any other.

Mr. TILDEN. An increase in costs from 6 to 7 cents per gross during the last quarter of 1950, as compared to the preceding 3 years, resulted in a net profit on packaged pins of only 1 cent per gross and a net loss on bulk pins of over 10 cents per gross.

These cost increases have forced domestic prices up, thus substantially increasing the spread between domestic prices and prices for imported pins. Shipments have fallen off sharply during the past 4 or 5 months, while imports have risen to all-time highs. Imports during the last quarter of 1950 exceeded 400,000 gross, a rate of over 1,600,000 per year.

The spring clothespin industry is urgently in need of relief from the concession granted in the Swedish trade agreement negotiated in Annecy, France, binding the duty at 10 cents per gross. However,

for the reasons which I have outlined, the industry is convinced that any future application to the Tariff Commission for the relief which it needs would be a waste of time and money, unless the Commission were required by act of Congress to adhere to definite criteria in determining whether injury has been caused or threatened as a result of concessions granted in trade agreements.

The industry accordingly recommends that the Trade Agreements Act be amended so as to specifically set forth the criteria which the Tariff Commission and the President must apply. Section 7 of H. R. 1612, as passed by the House, attempts to set standards of this type. However, the industry believes that the particular standards included in such section are too limited and that there are many industries badly in need of relief which could not qualify under such standards.

The spring clothespin industry recommends that the final paragraph of section 7 be revised to read as follows:

> Serious injury to a domestic industry shall be presumed to have been caused or to be threatened as the result of the importation of a product on which a concession has been granted, if—
>
> (1) The ratio of imports of the imported article or articles to the production of the like or directly competitive domestic article or articles has increased; and
>
> (2) Either employment, wages, sales, prices, or profits have declined with respect to an important segment of the domestic industry.

This suggested wording is consistent with the criteria established by the Tariff Commission, to which I previously referred.

That completes my formal statement. I would like the attached tables to be inserted in your record.

The CHAIRMAN. That may be done, yes.

(The tables referred to are as follows:)

EXHIBIT 1

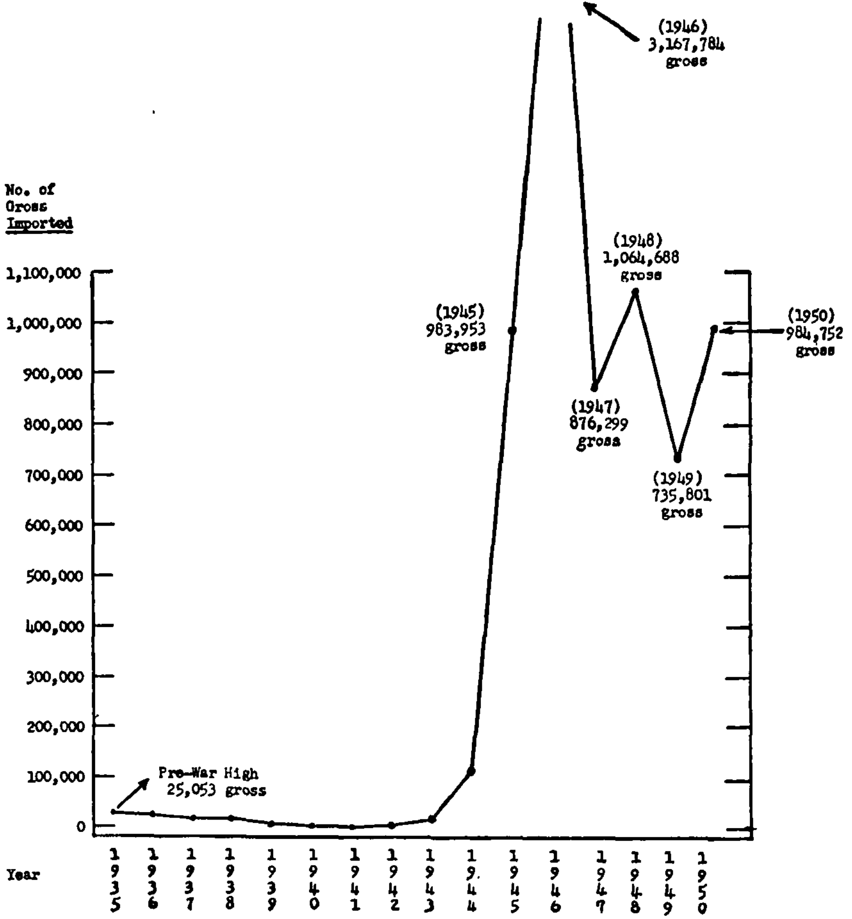


Exhibit 2

Spring clothespins

Year	Total imports	Domestic production	Domestic shipments	Value
	Gross	*Gross*	*Gross*	
1931 [1]	11,250			
1935 [2]	25,053			
1936	22,200			
1937	16,600	1,151,624	1,100,000	
1938	17,750		1,200,000	
1939	7,000	1,335,114	1,378,501	$524,207.96
1940	50		1,677,400	649,478.21
1941	0	2,013,859	2,180,082	894,985.71
1942	800		1,058,246	473,696.22
1943 [3]	16,634		None	
1944	114,482		None	
1945	983,953	[4] 300,000	238,683	121,865.11
1946	3,167,784	1,135,087	1,037,828	665,248.00
1947	876,299	2,748,124	2,692,985	2,424,494.00
1948	1,064,688	3,237,267	2,832,885	2,614,753.00
1949	735,801	3,087,843	3,078,682	2,602,948.96
1950	984,752	3,669,811	3,898,997	3,234,100.00

IMPORTS BY PRINCIPAL COUNTRIES

[Number of gross]

Year	Sweden	Denmark	Mexico	All other	Total
1931 [1]	11,000	None	None	250	11,250
1935 [2]	25,020	None	None	33	25,053
1937	16,600	None	None	None	16,600
1939	6,500	500	None	None	7,000
1943 [3]	None	None	14,284	2,350	16,634
1944	None	None	102,636	11,846	114,482
1946	791,833	596,000	1,718,281	61,670	3,167,784
1947	362,101	406,100	56,199	51,899	876,299
1948	715,830	316,480	243	12,135	1,064,688
1949	614,390	112,510	None	8,901	735,801
1950	788,307	172,665	None	23,780	984,752

[1] 1930 Tariff Act, 20 cents per gross.
[2] Swedish trade agreement, Aug. 5, 1935, 15 cents per gross.
[3] Mexican trade agreement, Jan. 30, 1943, 10 cents per gross.
[4] Estimated.

Exhibit 3

Spring clothespins

Year	Total imports	Domestic production	Percent imports are of domestic production	Year	Total imports	Domestic production	Percent imports are of domestic production
	Gross	*Gross*	*Percent*		*Gross*	*Gross*	*Percent*
1937	16,600	1,151,624	1.4	1947	876,299	2,748,124	32.0
1939	7,000	1,335,114	.5	1948	1,064,688	3,237,267	32.8
1941	0	2,013,859	.0	1949	735,801	3,087,843	23.9
1945	983,953	[1] 300,000	327.9	1950	984,752	3,669,811	26.83
1946	3,167,784	1,043,078	303.7				

[1] Estimated.

EXHIBIT 4

Spring clothespins—Trend of average costs and average prices

Packaged				Bulk			
Year	Average cost	Average price	Average net profit	Year	Average cost	Average price	Average net profit
1948	$0.8582	$0.9812	$0.1230	1948	$0.6853	$0.8004	$0.1151
1949	.8100	.9088	.0988	1949	.6931	.7104	.0173
1950	.8561	.9094	.0533	1950	.7239	.6621	[1].0618

[1] Loss.

Senator MILLIKIN. Would you make that an exclusive criteria or a part of the whole criteria to be considered?

Mr. TILDEN. I think it should be a part of the whole criteria.

Senator MILLIKIN. In the final analysis it does not make any real difference how the injury occurs, as long as it is caused by importation?

Mr. TILDEN. Exactly. I see no difference. One of the difficulties in the past is that it is required to tie the two of them together, that is, to be able to show that the concession has caused an increase in the imports and thereby caused an injury. I do not see why it should be necessary to establish that; if as a matter of fact the imports do increase after the concession then it seems to me that the injury is sure to follow.

The CHAIRMAN. Thank you for your appearance, Mr. Tilden.

Mr. TILDEN. And thank you, Mr. Chairman.

The CHAIRMAN. I understand that Mr. Martin is going to give way to Mr. Wells, who has to catch a plane. Is that correct?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. All right, then, Mr. Wells, we will be glad to hear you.

However, before you proceed, the witness listed ninth on our agenda, Mr. James K. Love, vice president of the Shenango Pottery Co., has submitted a statement in lieu of personal appearance. That brief will go in the record.

(The statement referred to is as follows:)

STATEMENT OF JAMES K. LOVE, VICE PRESIDENT, SHENANGO POTTERY CO., NEW CASTLE, PA.

My name is James K. Love. I am vice president of the Shenango Pottery Co., New Castle, Pa., and treasurer and a member of the Foreign Trade Committee of the Vitrified China Association, Inc. Reasons of health make my appearance before your committee inadvisable. I know the protest of our industry against the unrestricted extension of the Reciprocal Trade Agreements Act will be capably presented by Messrs. Torbert, Martin, and Wells. I would like, however, to touch briefly on a few phases of some matters which they may or may not cover.

It is conceded that Congress was entirely sincere in its hope that this act would be an instrument of peace. That this hope was not realized is obvious from the events which have occurred since the beginning of the administration of the act. It is our contention that the act has absolutely nothing to do with either peace or war.

The supporters of the act still laud it as an instrument of peace, but their actual reasons for their support are much more realistic. Aside from members of the Government, the supporters of the extension, at least the vocal ones, fall roughly into three classes.

1. The manufacturers or producers of goods which are capable of being profitably exported.

2. Importers who desire to increase income.
3. Consumers who desire to purchase at the lowest price regardless of the origin of the article.

The opponents of the act are largely manufacturers of goods, in the cost of which labor is the chief component, which labor can be obtained much more cheaply in foreign countries.

Of course their reasons are all selfish and have nothing to do with peace or war. There is, however, this difference.

The supporters reasons are aimed at securing greater personal profits or savings.

The opponents are fighting to save their businesses and the jobs of their employees from extinction. This prospect is not too remote if the idea of some in the State Department gains sufficient support in Congress.

That it has some support is evidenced by the concern for the consumer exhibited by one member of the Ways and Means Committee in questioning Mr. Wells, who reported that a set of American china dishes was on sale in a certain store for $113. In the same store a set of Japanese china which was an almost identical copy of the American pattern was on sale at $66.

The incident was cited, of course, as an excellent example of ruinous competition met in the chinaware industry from the Japanese whose average wage rate is one-twelfth of that in the industry in the United States. The questioner has been active, and properly so, in obtaining for American workmen the high rate of wages which they now enjoy. Instead of expressing some concern to protect these wages, his only reaction as stated by this questioner was that the consumer should be placed in a position to save $47 by buying the Japanese china.

The consumer is, of course, also a wage or salary earner. The clear inference to be drawn from the above incident is that the questioner felt that the consumer should earn his living on the American plan and spend it on the Japanese plan or any plan which saved him the most money. This idea has been clearly spelled out by an adviser in the State Department with the further opinion that any American producer who cannot meet such competition should go out of business. This is, of course, in spite of the assurance of the President that no American is to be seriously harmed.

A great deal of sense was developed in the House hearing, also some things not so sensible, and this latter not entirely from the witnesses. For instance, the question was repeatedly asked, "Has this program seriously hurt your industry?" The obvious answer that this has not been a normal period brings another academic question, "What is a normal period?" The answer to this one is unimportant as it is apparent to everyone that 15 years in which there have been preparation for war, war itself, recovery from war and preparation for another possible one is not a normal period. We are concerned as to the future in which there may be no war to bail us out. Any prospect of the expenditure of $75,000,000,000 per year for defense purposes, as practically promised by another member of the House committee, does not lessen this concern.

Another idea incapable of demonstration is that the trade agreements were in a great measure responsible for this country's greatest period of prosperity. It is true that the act has been in effect during that period, and also was in effect during World War II. I do not believe that anyone will contend that the act was in any measure responsible for the war, nor was it for the war prosperity.

A very interesting, although tragic, situation was brought out by the representative of the watchmakers union, who will no doubt appear before this committee. It illustrates that the advantage gained by the consumer in purchasing goods made by cheap foreign labor is only temporary. Watchmakers in Switzerland receive about one-third the wage of American watchmakers. Switzerland gained 80 percent of the American market and almost destroyed the American watch industry, and the consumer now pays as much or more for a Swiss watch as for an American one.

While I fully realize that the most-favored-nation clause is not an issue before this committee, it is a vital part of the tariff program and I would like to comment on it briefly. All this industry asks in the way of a tariff is a rate which will cover the difference between the cost of American labor and of foreign labor. It is self-evident that a tariff rate based on an English labor rate of 30 cents an hour will afford no protection at all against a Japanese labor rate of 10 cents per hour. No evidence has to our knowledge ever been produced to substantiate the statestatement often made by foreign producers that their production is less per man-hour than that of the American potter. We do not believe it and certainly not to the extent of the difference in wage rates.

Japan will soon no doubt be the open recipient of the most-favored-nation rate on chinaware and earthenware, and we would respectfully urge that something be done to remove the obvious inequity produced by the most-favored-nation clause.

It is our feeling that if the extension of this act is voted, the retention of the "peril point" will at lest tend to greater protection of American industry than the escape clause, though both are desirable.

In conclusion, due to our apprehension for the future that our industry might be reduced to the status of the watchmaking industry, we respectfully oppose the unrestricted extension of this act. If the extension is voted, we urge the retention of the House amendments, particularly the peril point.

The CHAIRMAN. All right, proceed, Mr. Wells.

STATEMENT OF JOSEPH M. WELLS, REPRESENTING THE UNITED STATES POTTERS ASSOCIATION

Mr. WELLS. Mr. Chairman, I am Joseph M. Wells, and I am submitting this brief for the United States Potters Association. We have the following statement to make, Mr. Chairman.

We are here again to oppose renewal of the miscalled Reciprocal Trading Treaty Act because duty reductions in presently effective treaties have undoubtedly been largely responsible for steadily increasing imports of competitive merchandise since the end of World War II. Such imports have resulted in loss of jobs, reductions in earnings and a decreasing living standard for thousands of employees in the affected industries.

We have failed to find any statement from our exporting industries to the effect that their shipments to foreign countries have been improved by the provisions of any trade treaty. This is easily understandable since almost without exception where foreign countries have agreed to concessions in tariff rates, they have eliminated any effect of such concession by the establishment of quotas, import licenses, exchange controls, and currency devaluation. In a publication of the Department of Commerce listing the foreign import license and control regulations affecting exports from the United States, it shows that restrictions on imports from the United States are applied by practically all countries of the world except for a few in Central America. It is a fact that after 16 years of trade agreements there are more barriers to our trade and more discrimination against our goods than ever before in our history. This is a measure of how the trade-agreements program has succeeded in its originally stated purpose "to expand foreign markets for the products of the United States." Yet the State Department still makes the statement that "the trade-agreements program is a proved and tested method of reducing world-wide barriers to international trade."

The barriers that have been removed are those which existed only in a limited way in the 1930 Tariff Act, to the importation into this country of huge quantities of competitive goods at prices below the production costs of the American farmer, miner, and manufacturer.

Representatives of our industry have appeared before your committee and the Ways and Means Committee in opposition to each renewal of the Trade Agreements Act. We prophesied what would happen to our business whenever reasonably normal peacetimes would return. We were brushed off shortly, as were the many others in the same position, with the answer, "Wait until you are hurt before you start squawking."

In spite of the fact that there was a large and steady increase of imports of china and earthenware from 1932 through 1938 under the tariff rates of the Smoot-Hawley Act—and that the spread between the prices of the American and the foreign product gradually widened, our State Department went merrily on its way decreasing these rates in trade treaties with five different countries. The result could only be as we predicted when foreign production began to recover fron the war.

In 1948 the members of our association had sales of $77,500,000. In 1949 the figure was down 17 percent to $64,000,000. During the same period, imports of competitive products increased 24 percent.

Senator KERR. What does that mean in terms of dollars?

Mr. WELLS. Well, at that time the total imports were approximately 30 to 35 percent of domestic production which apparently would mean nearly $30,000,000.

Senator KERR. Thirty-five percent of $60,000,000 would be about $21,000,000, would it not?

Mr. WELLS. Well, I am talking about the figure of $77,500,000 for 1948.

Senator KERR. And that would be about how much?

Mr. WELLS. About $25,000,000.

Senator KERR. And that went up?

Mr. WELLS. That figure wts incretsed 24 percent.

Senator KERR. In other words, imports went up $6,000,000 and domestic production went off $17,000,000.

Mr. WELLS. That is right—17 percent.

Senator KERR. Seventeen percent of 77 million would be what?

Mr. WELLS. $13,000,000.

Senator KERR. So that imports went up $6,000,000 and domestic production went down $13,000,000.

Mr. WELLS. That is right.

Senator KERR. Thank you.

The CHAIRMAN. Proceed, sir.

Mr. WELLS. For the first 6 months of 1950 our sales were down another 25 percent, while imports gained more than 30 percent.

Senator MILLIKIN. Mr. Chairman, one other question before the witness proceeds. Did not the devaluation have a very serious effect on your industry?

Mr. WELLS. A very, very noticeable effect.

Senator MILLIKIN. Now, it has been reported and complained of that our foreign embassies have been outfitting their tables with foreign chinaware.

Mr. WELLS. That is correct, Senator. Mr. Martin, who will follow me, will give you a blow-by-blow account of what we attempted to do about that and what happened.

Senator MILLIKIN. You did not get anywhere.

Mr. WELLS. We got less than nowhere.

Senator MILLIKIN. How many separate manufacturers of potteryware are there in the United States?

Mr. WELLS. Of dinnerware alone there are about 41 or 42.

Senator MILLIKIN. Are those scattered pretty well over the country? I assume their locations have some relation to the supply of clay and to gas and to things like that.

Mr. WELLS. They are pretty well concentrated in a territory within 50 or 80 miles' radius of East Liverpool, Ohio. It started there principally because they had the clay there and they originally made these crude yellow pots; then as they developed a better grade of merchandise—dinnerware—the labor market was there and so they brought other clays in and remained in that area.

Senator MILLIKIN. In many cases those pottery manufactories are the principal business of these small towns in which they are established?

Mr. WELLS. There are a great many of them, Senator, that are financially dependent upon the potteries. They are such towns as: East Liverpool, Ohio; Newell, W. Va.; Chester, W. Va.; Sebring, Ohio; Paden City, W. Va.; Falls Creek, Pa.; Salem, Ohio; Scio, Ohio; Wellsville, Ohio—probably three or four more. Nearly all of them are located in small communities and are the chief financial support of those communities.

Senator MILLIKIN. Thank you.

Mr. WELLS. During the last 3 months reported by the Department of Commerce, September, October, and November of last year, imports of all dinnerware and fancy goods were 65 percent above the same 3 months of 1949. China dinnerware alone increased nearly 79 percent and art wares 72 percent; and practically all of this increase came from Japan and Germany. Without the sudden upsurge of buying by the American public during the past 6 months, it is not hard to see what would be happening to our pottery industry; because in directly comparable ware, the retail price of the Japanese product is less than one-half the American.

It is interesting to note in this connection that the British Pottery Board of Trade just recently wrote directly to General MacArthur, urging that he do something to decrease the Japanese exports of china to the United States or increase the prices; or the American market for British china would be ruined. And I believe that when that letter gets through channels back to the State Department, it is quite possible something may be done about it. Unfortunately, our American pottery industry understands the attitude of our State Department well enough to know that any such request from us would land in only one place—the wastebasket.

The CHAIRMAN. I think you may get a little help from outside sources—from Great Britain.

Mr. WELLS. I beg your pardon.

The CHAIRMAN. I think you may be able to get some outside assistance.

Mr. WELLS. It is quite possible, Senator, that we may.

We continue to marvel at the single-minded intensity of our national administration during the past 18 years in its effort to increase imports of competitive products that demonstrably mean a net loss of job opportunities for the American workman.

Senator MILLIKIN. Mr, Chairman, may I introduce a paragraph from a speech by President Roosevelt at Wheeling, W. Va., back in 1932 on this subject? It is a very brief paragraph.

The CHAIRMAN. Yes.

Senator MILLIKIN. He said:

> I have advocated a lot of tariffs by negotiation with foreign countries but I have not advocated and never will advocate a tariff policy that will withdraw

protection from American workers against those countries which employ cheap labor or cooperate under a standard of living which is lower than that of our great laboring groups.

Mr. WELLS. Too bad that his followers and supporters did not adopt that same attitude, Senator, particularly Secretary Hull.

The CHAIRMAN. Proceed.

Mr. WELLS. Surely our great exporters are not so blind as to believe they can sell more automobiles, refrigerators, vacuum cleaners, farm machinery, or cigarettes to the English potters earning 40 cents an hour; or the German potters earning 30 cents per hour; or the Italian potters earning 20 cents per hour or the Japanese earning 10 cents per hour; than to the American potters earning $1.54 per hour.

Senator MILLIKIN. Mr. Chairman, may I ask the witness: What is the scale of our export of pottery?

Mr. WELLS. Practically nothing. It might be as much as 1 percent. We do ship some of our off-selection ware to Canada and Cuba and Mexico.

Senator MILLIKIN. Roughly speaking, how much would that amount to?

Mr. WELLS. It would not amount to 1 percent of the production.

Senator MILLIKIN. The concession made by foreign countries did not make export profitable, is that right?

Mr. WELLS. In the Mexican trade agreement, Mexico granted a concession on their tariff rates on china and the Americans granted Mexico a concession on what they termed as ware made wholly of clay unmixed and uncolored. The Mexicans immediately and within a period of less than a year threw out that concession that they made to the American manufacturers of chinaware but the concession that we made to Mexico was never touched until the treaty was abrogated the 1st of January; but for the year and a half or nearly 2 years they have thrown out completely the concession they made to the pottery industry but we continued to give them and all other countries in the world the concession we made to them.

As an indication of what this increasing flood of imports did to employment in our industry, I want to cite the experience of the company with which I am connected. This is the Homer Laughlin China Co. of Newell, W. Va. We are the largest employers of labor in the industry and from all reports our experience was quite typical of the industry as a whole.

During the last 6 months of 1948 when we were employing about 3,400 people, our employees drew a total of $1,515 in unemployment compensation. During the last 6 months of 1949 they drew $64,273. That is more than 40 times as much as in 1948. During the first 2 months of 1949, while we were still going along in pretty good shape, they received a total of $671 in unemployment compensation. During the first 2 months of last year they received $17,222.

In view of these facts, it is our contention that only a recurring war economy has prevented the practical elimination of the American pottery industry under the present tariff policy. Judging from statements made by many other industries in the recent hearings before the Ways and Means Committee, we are far from alone in this unenviable situation. It does not take a seventh son of a seventh son to realize that a complete collapse of our economy can occur if there is

no change in the trade-agreements program which literally throws the great American market at the feet of the foreign producer.

As far as our industry is concerned, and we believe we are typical of many others, we can see only two ways in which we can retain even the limited share of our own market which we now have.

First, the establishment of a quota for imports based on what might be considered a normal period in the past.

Second, the adoption of the flexible import fee principle of "fair and reasonable" competition as proposed to the Eighty-second Congress in Senate bill No. 1965. This is the suggestion that was made by Senator Malone in his recent appearance before the Ways and Means Committee.

Under such a program, the control of tariffs would again be back where it belongs under our Constitution, in the Congress of the United States.

The CHAIRMAN. Any questions of Mr. Wells?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Wells, and I hope you will be able to catch your plane.

Mr. WELLS. Thank you for the opportunity to be heard, Mr. Chairman.

The CHAIRMAN. Mr. Martin.

STATEMENT OF ROBERT F. MARTIN, REPRESENTING THE VITRIFIED CHINA ASSOCIATION AND UNITED STATES POTTERS ASSOCIATION.

The CHAIRMAN. Mr. Martin, identify yourself for the record. You are appearing for the Vitrified China Association?

Mr. MARTIN. Yes, Mr. Chairman, and for the United States Potters Association. My name is Robert F. Martin, and I testify on behalf of those two associations, which represent four-fifths of the pottery tableware industry in the United States.

We want some reasonable restrictions put on what we consider to be irresponsible actions affecting this industry by the State Department in its drive to force a policy of laissez faire on the rest of the world and our own foreign trade. These actions have jeopardized our own smaller and craftsman industries and employment and have failed miserably in inducing other countries to relax their restrictions. Other witnesses here will testify concerning the effects on the pottery tableware industry. Please note also the brief submitted by Mr. James K. Love of the Shenango Pottery Co., who could not be here today.

Tariff versus Import License Control: As evidence of the extent to which foreign countries have really relaxed control of imports in return for all our concessions, I offer for inclusion in the record two tabulations prepared by the Department of Commerce. These show the countries exercising pinpoint import control by requiring licenses as of February 15, 1949, and January 25, 1951.

The CHAIRMAN. It may be inserted.

(The tabulations referred to are as follows:)

SUMMARY OF IMPORT LICENSE AND EXCHANGE CONTROL REGULATIONS IN PRINCIPAL FOREIGN COUNTRIES APPLYING TO IMPORTS FROM THE UNITED STATES

Prepared in the Areas Division, Office of International Trade, Department of Commerce—Revised as of February 15, 1949]

In many countries foreign goods may not be imported unless covered by an import permit which must be obtained by the importer and in certain cases must have been granted before the order for the goods has been placed. Also in many countries, owing to the extreme scarcity of dollar exchange. the authorities require that an exchange permit be obtained before the goods may be paid for. Before shipping his goods, the exporter should make certain that the importer has obtained these permits, if required. He should insist on being informed as to the identifying number identifying number or symbol of the documents.

The following tabulation of the import and exchange permits required in foreign countries has been prepared as a general guide to exporters regarding these regulations. Necessary detailed information may be obtained by writing the Areas Division, Office of International Trade of the Department of Commerce.

Country	Is import permit necessary?	Is exchange permit required?
Anglo-Egyptian Sudan	Yes	Yes.
Arabian peninsula areas:		
Saudi Arabia	Yes; on almost all commodities	Yes.
Aden, Bahrein, Qater, Trucial Oman.	Yes	Yes.
Kuwait, Muscat and Oman, Yeman.	No	No.
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; import permits carries right to foreign exchange.
Austria	Yes	Yes; import permit does not automatically carry right to foreign exchange.
Belgium-Luxembourg	Yes; for all imports from dollar areas.	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes; for all imports	No; import permit authorizes purchases of exchange, but is not a guarantee that exchange will be granted.
Brazil	Yes; for all imports except pharmaceuticals, cement, certain foods and certain books, magazines, and newspapers.	Yes.[2]
British Colonies, not specified elsewhere.[3]	Yes	Yes; import permit generally assures release of foreign exchange.
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	Yes; for many products [1]	Yes, but control exercised through commodity permit which carries right to exchange.
Ceylon	Yes	Yes.
Chile	Yes; must be obtained prior to shipment of goods and copy must be sent to exporter.	Yes; in form of notation on import permit.
China	Yes; certain goods are also subject to quota allocations.	Yes.
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; granting of import license automatically provides for allocation of necessary foreign exchange.
Denmark	Yes; on almost all commodities	Import license carries right to foreign exchange.
Dominican Republic	No	No.
Ecuador	Yes; must be presented in order to obtain the consular invoice.	Import permit carries the right to foreign exchange (Central Bank of Ecuador).

[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 cruzeiros require an exchange permit from the Banco do Brazil.

[3] Includes Bermuda, British West Indies, British East and West Africa, BritishGuiana, British Honduras, Northern and Southern Rhodesia, and minor colonies, protectorates, and Trusteeship territories.

Country	Is import permit necessary?	Is exchange permit required?
Egypt	Yes; unlicensed imports are subject to confiscation.	Yes.
El Salvador	No	No.
Ethiopia	No; except on products subject to export license in country of origin.	Yes.
Finland	Yes	Yes; import permit carries right to foreign exchange.
France	Yes; obtainable for "essentials" only.	Yes; issued simultaneously with the import permit.
French Colonies	Yes	Yes; import permit carries right to foreign exchange.
French Indochina	Yes	Yes; import permit carries right to foreign exchange.
Germany	Yes	Yes; import permit carries commitment to make foreign exchange available.
Greece	Yes; permits granted only for limited number of essential products.	Yes; import permit carries right to open a letter of credit.
Guatemala	No	No.
Haiti	No	No.
Honduras	No	Yes.
Hong Kong	Yes, for all commodities from some countries and for specified commodities from other countries.	Yes; where an import license is required.
Hungary	Yes	Yes.
Iceland	Yes	Yes; unless otherwise stated on permit, import permit carries right to foreign exchange.
India	Yes	Foreign exchange automatically released upon presentation of validated import license to exchange bank.
Indonesia	Yes	Yes.
Iran	No; but prospective imports must come within annual or supplementary quotas.	Yes.
Iraq	Yes; goods exported before license is obtained are confiscated.	Yes; permits are obtained through licensed dealers.
Ireland	For a few products only	Yes.
Israel	Yes	Yes; import permit usually carries right to foreign exchange.
Italy	Yes; from Italian Exchange Office, except "list A" (mostly industrial raw materials which require only Bank of Italy "benestare.")	Yes; through Bank of Italy or its agents.[4]
Japan	Yes	Import permit carries right to foreign exchange.
Korea	Yes	No, trade conducted on compensatory (barter) basis.
Liberia	For arms, ammunition, and rice only.	No.
Malayan Federation	Yes	Yes.
Mexico	Long list of products prohibited from importation, another list of commodities requiring import permit.[1]	No.
Morocco:		
French Zone	Yes	Yes.
Spanish Zone	Yes	Yes, import permit carries right to foreign exchange.
Tangier (International Zone)	No	No.
Netherlands	Yes	Yes ("payment attest").
Netherlands West Indies	Yes	Yes.
Newfoundland [5]	No; except for food product	Yes.
New Zealand	Yes	Yes; import permit carries right to foreign exchange.
Nicaragua	Yes	No.
Norway	Yes	Yes; import permit carries right to foreign exchange; must be separately requested from Bank of Norway.
Pakistan	Yes	Foreign exchange automatically released upon presentation of validated import license to exchange bank.
Panama	No	No.
Paraguay	No	Yes.[6]
Peru	No	Yes.

[4] The importer buys his dollar exchange on the basis of the daily free market rate.
[5] After March 31, 1949, see Canada which Newfoundland will join as a province.
[6] Importers must conclude a contract for purchase of exchange with the Bank of Paraguay before purchasing abroad.

Country	Is import permit necessary?	Is exchange permit required?
Philippine Republic	Yes; for certain specific nonessential articles, for which import license number must appear on consular invoice.	No.
Poland	Yes	Yes.
Portugal	Yes	Yes.
Portuguese Colonies	Yes	Yes.
Rumania	Yes	Yes.
Siam	Yes; for some luxury items	No.
Singapore	Yes	Yes.
Spain	Yes; largely limited to essential raw materials.	Exchange to cover import license obtainable only through Exchange Institute, which usually, but not mandatorily, grants it. Special exchange rates fixed for many products
Spanish Colonies	Yes	Yes, import permit carries 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 products, usually those under international allocation.	No difficulty in regard to exchange.
Syria and Lebanon	Yes	Yes.
Transjordan	No	Yes.
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 license carries 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.

Summary of Import License and Exchange Control Regulations in Principal Foreign Countries Applying to Imports From the United States

[Prepared in the Office of International Trade, Department of Commerce—Revised as of January 25, 1951]

In many countries, foreign goods may not be imported unless covered by an import license which must be obtained by the importer and in certain cases must have been granted before the order for the goods has been placed. Also in many countries, owing to the extreme scarcity of dollar exchange, the authorities require that an exchange permit be obtained before the goods may be paid for. Before shipping his goods, the exporter should make certain that the importer has obtained these permits, if required. He should insist on being informed as to the identifying number or symbol of the document.

The following tabulation of the import and exchange permits required in foreign countries has been prepared as a general guide to exporters. These regulations apply primarily to goods of United States origin and/or payable in United States dollars. Necessary detailed information may be obtained by writing the Office of International Trade of the Department of Commerce.[1]

[1] A report summarizing in greater detail the license and exchange control requirements of European countries and certain African areas and the status of private trading with the United States is available from the Field Offices of the Department of Commerce or the Government Printing Office, Washington 25, D. C. Price 50 cents.

County	Is import license necessary?	Is exchange permit required?
Afghanistan	Yes, for most items	Yes.
Anglo-Egyptian Sudan	Yes	Yes.
Arabian Peninsula areas:		
Saudi Arabia	Yes; on almost all commodities	Yes.
Aden, Bahrein, Qatar, Trucial, Oman.	Yes	Yes.
Kuwait, Muscat and Oman, Yemen.	No	No.
Argentina	No; except for a few commodities.[2] 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	Import license carries right to foreign exchange.
Austria	Yes; except for a small number of commodities.	Yes; approval by Foreign Trade Commission is prerequisite for foreign exchange permit.
Belgium-Luxembourg	Most commodities may be imported under a "declaration in lieu of license." Import license required for items amounting to approximately 30 percent of import trade.	Yes.
Belgian Congo	Yes	Yes.
Bolivia	Yes	No; import license authorizes pur chase of exchange, but is not a guarantee that exchange will b granted.
Brazil	Yes; except for a few produtcs. Dollar import permits issued only for specified essentials.[2]	Yes.[3]
British Colonies, not specified elsewhere.[4]	Yes	Yes; import license generally assures release of foreign exchange.
Bulgaria	Yes	Yes.
Burma	Yes	Yes.
Canada	No; except for butter and certain steel items.	Yes; but system is not intended to restrict trade; permits are freely available from commercial banks and are not required in advance of receipt of goods. Exchange is purchased on the open market.
Ceylon	Yes	Yes.
Chile	Yes; except for an extensive list of articles importable with free market exchange; must be obtained prior to shipment of goods and copy must be sent to exporter.	Yes; in form of notation on import license, where this is required.
China	Yes	Yes.[5]
Colombia	Yes	Yes.
Costa Rica	No	Yes, for imports with official exchange. No permit required for imports with free market exchange.
Cuba	No	No.
Czechoslovakia	Yes	Import license automatically provides for allocation of necessary foreign exchange.
Denmark	Yes (with exceptions)	Yes. For goods subject to license, copy of license with customs certification of importation takes place of exchange license.
Dominican Republic	No	No; but all applications for foreign exchange require government approval which is granted almost automatically for bona fide commercial transactions.
Ecuador	Yes; must be presented in order to obtain the consular invoice. Some luxury imports prohibited.	Import license carries the right to foreign exchange (Central Bank of Ecuador).
Egypt	Yes; unlicensed imports are subject to confiscation.	Yes.
El Salvador	No	No.
Ethiopia	No; except on products subject to export license in country of origin.	Yes.
Finland	Yes	Yes; import license carries right to foreign exchange.
France	Yes; obtainable for "essentials" only.	Issued simultaneously with the import license.

See footnotes at end of table, p. 269.

County	Is import license necessary?	Is exchange permit required?
French overseas territories not elsewhere specified.	Yes	Import license carries right to foreign exchange.
Germany	Yes	No; the granting of import license automatically provides for the for the allocation of foreign exchange.
Greece	Yes; license granted only for limited number of essential products.[3]	Yes; import permit carries right to open a letter of credit.
Guatemala	No; but importation of a few items prohibited.	No.
Haiti	No	No.
Hashemite Jordan Kingdom	Yes	Yes.
Honduras	No	No.
Hong Kong	Only in the case of certain foodstuffs and other specified imports.[6]	Only in those cases where an import license is necessary.
Hungary	Yes	Yes.
Iceland	Yes	Yes; it is usually issued concurrently with import license, but does not guarantee allocation of exchange, which depends on establishment of priority and availability of foreign exchange.
India	Yes	Yes; however, foreign exchange is automatically released upon presentation of validated import import license to exchange bank.
Indochina	Yes	Import license carries right to foreign exchange.
Indonesia	Yes	Yes; all foreign exchange transactions are controlled by the Foreign Exchange Institute.
Iran	No; but prospective imports must come within annual or supplemental quotas; for period ending Mar. 20, 1951, quotas have been lifted on a number of products considered essential.	Yes.
Iraq	Yes; goods exported before license is obtained are confiscated.	Yes; permits are obtained through licensed dealers.
Ireland	For a few products only	Yes.
Israel	Yes	Yes; import license usually carries right to foreign exchange.
Italy	Yes; from Italian Exchange Office except "List A" (mostly industrial raw materials which require only bank "benestare").	Yes; combined with import permit in same document.[7]
Japan	Yes	Import license carries right to foreign exchange.
Korea, Republic of [8]	Yes	Yes.
Lebanon	Yes	Yes.
Liberia	For arms, ammunition, and rice only.	No.
Malaya, Federation of	Yes	Yes.
Mexico	Yes. For a specified list of articles.	No.
Morocco:		
French Zone	Yes	Yes.
Spanish Zone	Yes	Import license carries right to foreign exchange.
Tangier (International Zone).	No	No.
Netherlands	Yes	Yes ("payment attest").
Netherlands West Indies	No; except for certain items [3]	Yes.
Newfoundland. (See Canada.) [9]		
New Zealand	Yes	Import license carries right to foreign exchange.
Nicaragua	No; but importers must register orders with the National Bank prior to importation. Presentation of copy of registered order is a prerequisite to issuance of consular invoice and clearance of merchandise through Nicaraguan customs.	No; registration of import orders authorizes purchase of exchange.

See footnotes at end of table, p. 269.

Country	Is import license necessary?	Is exchange permit required?
Norway	Yes	An authorization to transfer foreign exchange must be obtained from the Bank of Norway and will usually be noted on the import license.
Pakistan	Yes	Yes; however, foreign exchange is automatically released upon presentation of validated import license to exchange bank.
Panama	No; but a few items subject to quota restrictions.	No.
Paraguay	No	Yes.[10]
Peru	No; but importation of some items from the United States is prohibited.	No.
Philippine Republic	Yes	Possession of a valid import license entitles holders to exchange cover, under general or specific exchange license, depending on type of transaction.
Poland	Yes	Yes.
Portugal (including the Azores and Madeira).	Yes	Yes.
Portuguese Colonies	Yes	Yes.
Rumania	Yes	Yes.
Singapore	Yes	Yes.
Spain (including the Canary Islands).	Yes; largely limited to essential raw materials.	All imports. The import license, after approval by the Foreign Exchange Institute, insures the release of the corresponding foreign exchange, in accordance with the terms of the license. Special exchange rates are in effect for most import products Under the regulations of October 22, 1950, part or all the foreign exchange required for most products must be purchased on the Madrid "free market," at the prevailing rate. (See Foreign Commerce Weekly, Nov. 20, 1950.)
Spanish Colonies	Yes	Import license carries right to foreign exchange.
Surinan	Yes	Yes.
Sweden	Yes, rigid controls. A few minor products are exempt from import license.[2]	Yes. However, foreign exchange, including dollar exchange, is automatically made available if the import license specifies payment in such currency, and if the license is registered with a foreign exchange bank within two months after its issuance.
Switzerland	Import licenses are necessary for about 40 percent of Swiss imports, however, licenses for most of these are granted freely.[2]	No difficulty in regard to exchange.
Syria	Yes	Yes.
Taiwan (Formosa)	Yes	Yes, except for certain Government purchases.
Thailand	No; except for passenger cars, motorcycles and certain paint oils.	No.
Turkey	Yes	Yes; special exchange license from the Control Office; one application suffices for both import permit and exchange control purposes.
Union of South Africa (including South West Africa, Basutoland, Bechuanaland, and Swaziland).	Yes With exception of a few specified imports from soft currency countries all imports are subject to license issued by the Director of Imports and Exports in the Union. Imports from all countries of a long list of "unessential" items are prohibited.[11]	The import license carries right to foreign exchange up to amount expressed in local currency in relative import license.[11]
United Kingdom	Yes, except for a few products [2]	Yes.
Uruguay	Yes; except for essential articles	No; import license, where required, carries right to foreign exchange.

See footnotes at end of table, p. 269.

Country	Is import license necessary?	Is exchange permit required?
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 license.
Venezuela	No; except for approximately 20 tariff items.[2]	No.
Yugoslavia	Yes	Yes.

[2] American exporters may obtain information regarding the import controls on their products by writing the Office of International Trade or one of the Field Offices of the Department of Commerce.
[3] All exchange transactions amounting to more than 20,000 cruzeiros require an exchange permit from the Banco do Brazil.
[4] Includes Bermuda, British West Indies, British East and West Africa, British Guiana, British Honduras, Northern and Southern Rhodesia, and minor colonies, protectorates, and Trusteeship territories
[5] Unofficial reports indicate that all transactions in United States dollars were suspended in Shanghai on December 19, 1950.
[6] The complete list of commodities for which an import license is necessary follows· Butter, cheese, margarine, flour, rice and rice products, sugar, meat of all kinds, tin, tin-plate, coal, coke, cotton yarn, diamonds, gold, gunny bags, cotton linings and poplin, linen pieces goods, lead, cutlery, whisky, beer, manufactured tobacco, glass plate and sheet, iron and steel, zinc and articles manufactured of zinc.
[7] The importer buys his dollar exchange on the basis of the daily free-market rate.
[8] As a result of the outbreak of hostilities in Korea on June 25, 1950, the status of import and exchange controls is not known. Until that date foreign exchange was purchased by registered importers and approved end users at publicly announced foreign exchange auctions, and, between auctions, from the Korean Foreign Exchange Bank by noncommercial holders of exchange permits and, with the concurrence of the Currency Stabilization Board, by commercial users of foreign exchange holding an import license.
[9] Since March 1949, Newfoundland has been a Province of Canada.
[10] Importers must conclude a contract for purchase of exchange with the Bank of Paraguay before purchasing abroad.
[11] Copies of a memorandum entitled "Summary of Import Controls in the Union of South Africa" are available from the Near East and African Division, or the field offices of the Department of Commerce.

Mr. MARTIN. In issuing these lists, the Commerce Department warns the American exporter as follows:

In many countries foreign goods may not be imported unless covered by an import license which must be obtained by the importer and in certain cases must have been granted before the order for the goods has been placed. Also in many countries, owing to the extreme scarcity of dollar exchange, the authorities require that an exchange permit be obtained before the goods may be paid for. Before shipping his goods, the exporter should make certain that the importer has obtained these permits, if required. He should insist on being informed as to the identifying number or symbol of the document.

These lists show that four-fifths of the countries of the world require a permit before allowing a shipment to enter the country. Most of these countries also require exchange permits just to copper-rivet the control. These are not mild tariff controls, the lowering of which is claimed as a great achievement by State Department representatives, but complete item by item and shipment by shipment control, regardless of tariff. And there were no important changes in the past two years under the trade agreements and GATT.

A summary of these lists follows:

Countries requiring import permits

	Unqualified requirement		Qualified requirement	
	Yes	No	Yes	No
1949	51	14	16	5
1951	51	9	14	12

Every one of the 11 original GATT countries outside of the United States is still operating an import license system. Four of the additional countries now at Torquay negotiating tariff reductions now require import licenses and the other two prohibit the importation of some items.

The tangled web: The State Department has ceased long since to follow the trade-agreement policies of former Secretary Hull. The latter considered the purpose of the trade-agreements program to be the expansion of mutually profitable trade. We were to negotiate country by country and item by item, and if an error was made, it would be readily corrected on its merits without fuss and fanfare.

Senator MILLIKIN. Mr. Chairman, I am going to read from the report of the United States Tariff Commission on the operation of the trade-agreements program from June 1934 to April 1948. On pages 6 and 7 they quote from messages of President Roosevelt on the subject, and I will read one brief paragraph:

> The President asked for the authority as "an essential step" in the program of national economic recovery which the Congress has "elaborated" and as "part of an emergency program necessitated by the economic crisis through which we are passing." He requested that authority be granted to make the proposed trade agreements terminable within a period not to exceed 3 years, stating that a shorter period "probably would not suffice for putting the program into effect." He stated, further, that the exercise of this authority "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" as "the adjustment of our foreign-trade relations must rest on the premise of undertaking to benefit and not to injure such interests."

Mr. MARTIN. Mr. Hull said when requesting the delegations of this power by the Congress:

> If it is once agreed that a normal amount of trade among nations is a vital and necessary factor in the restoration of full and stable prosperity, the conclusion seems clear that the proposed policy of bilateral trade agreements offers virtually the only feasible and practicable step in this direction.

Totally abandoning the Hull program, the State Department has under the trade-agreements authority negotiated global multilateral treaties. It has built up such a complicated maze of understandings surrounded by such hosts of exceptions that the experts have difficulty trying to figure out what the provisions actually mean in specific cases. Worst of all, such a tangled web of interrelated items has been created, that no one specific item can be touched without affecting others.

Under these circumstances, the reluctance of the architects of this delicate, intricate structure to make adjustments in individual items, whatever promises may have been made on this score, is understandable. A change soon appears to them to be an assault on world peace, a blow at world prosperity, deadly reexaminism, a subsidy to the inefficient, an aid to Soviet propaganda and a retreat into isolationism.

Here is the crux of our difficulty in relying upon the negotiators to make later individual adjustments.

It is unreasonable to put this burden on them on a voluntary basis. If the Congress is to permit the negotiation of these global complexes, it should set the terms and conditions under which necessary safeguards, escapes and adjustments on behalf of adversely affected Americans must be made.

Senator MILLIKIN. Have you noticed, Mr. Martin, that the State Department has permanently abandoned ITO and as far as anyone

can determine there has not been one single scream from any chancellery anywhere in all of the world?

Mr. MARTIN. I believe the hope on the part of the State Department is that it would be able to include the major portions of the provisions for the ITO in the general provisions of the General Agreements on Tariffs and Trade.

Senator MILLIKIN. May not the result of that abandonment indicate that those provisions in GATT may also be abandoned without bursting to pieces the seismographs in these chancelleries?

Mr. MARTIN. I should think so. I believe perhaps the object here of our State Department is to get a "Little ITO" anyway and avoid bringing up the provisions in the form of a treaty that requires Senate confirmation by simply negotiating them under the trade agreement authority as part of the general provisions of GATT.

Now, the American dinnerware industry is directly affected by the first three amendments to H. R. 1612 that were adopted in the House and is in favor of their retention by the Senate.

Before touching on each of these amendments specifically, a few comments on the general experience of this industry under the grant of powers as now exercised by the State Department will help clarify our stand. Under this program we have witnessed the reduction of American duties on our products in direct violation of a promise to Congress by the Secretary of State before the act was first adopted, seen our Government make no effort to end the 100-percent preference against us in the Canadian market, watched our Government finance and engineer the building up of our competitors abroad and introduce their products in this market, heard official expressions of sympathy that no aid could be given to us or our employees though we were to be victims of the program, and been slapped in the face by the substitution of German for American china in American embassies.

It is apparent to us that the State Department has become so deeply absorbed in its particular brand of international idealism that it cannot be trusted to give much consideration to American interests not useful to its global designs.

Senator MILLIKIN. Mr. Chairman, there used to be an idea that the furnishings of our embassies would include furnishings of American products in which we took great pride, as an advertisement of those products, if you please, and our consulates used to have a certain duty in trying to advance the interests of our domestic manufacturers.

Bringing in this German china seems to be a reversal of that policy, does it not?

Mr. MARTIN. Yes, it does, Senator. It was our impression that our American embassies abroad were supposed to reflect the culture and industry of the United States.

Senator MILLIKIN. There were a lot of protests over that substitution of German chinaware for American chinaware, were there not?

Mr. MARTIN. Yes, sir; but the protests were futile.

Senator MILLIKIN. Yes; I found that out.

Mr. MARTIN. The ease with which it disposes of domestic difficulties created by its foreign programs is indicated by Mr. Clair Wilcox, formerly of the State Department, in an article in the December 1950 issue of the American Economic Review, Relief for Victims of Tariff Cuts. He concludes that the problems involved in the determination

and measurement of domestic injury caused by the program can be avoided by a simple program of—

public assistance to facilitate conversion to more promising activities. Loans can be made to enterprises that desire to explore new markets, develop new products. * * * Displaced workers can be supported temporarily by insurance benefits, given vocational training and aided in finding other jobs.

Such a determination to carry out tariff reductions to the bitter end of placing American industries and workers on relief explains why the assurance so freely given here by those in charge of the program leave us still apprehensive, as we are when Stalin talks peace in one place while making war in another. As in the latter case, we would like to see some check put on the power to act.

The peril point amendment: The setting of peril points as provided in the first amendment would provide two advances in winning back from an international State Department part of the complete life-and-death control it now holds over the head of the American dinnerware industry.

First it would separate the judicial function of determining danger points from the executive function of negotiating trade agreements. The delegated power is now so sweeping that there is no court of review or judicial agency with power to enforce its decisions to which the injured citizen can look to for protection or turn to for relief. Even with this amendment, the Executive can disregard the judicial finding if he is merely willing to state his reasons for so doing. This is indeed a mild check on the blanket delegation by Congress of one of its well-defined constitutional responsibilities and powers.

Secondly, it would help restore confidence. Fear of the unrestrained exercise of this power by the State Department has been retarding progress in this American industry. On the one hand, we are berated for not expanding and "modernizing" as fast as the mass production industries; on the other, we are told we are inefficient and slated for liquidation by opening the gates wider to competition of "efficient" foreign producers paying wages of 12 cents per hour. Placing of peril points by an agency not concerned with its effects on Soviet propaganda would at least help restore confidence in this industry.

The escape-clause amendment: I offer for inclusion in the record at this point the full statement of applications for investigations under the escape clause provisions of the trade agreements and of their disposition.

The CHAIRMAN. Yes, sir; you can put them in the record.

(The statement referred to is as follows:)

Applications for investigations under escape-clause provisions of trade agreements

Commodity	Name and address of applicant	Date received	Status
1. Marrons	G. B. Raffetto, Inc., New York, N. Y.	Apr. 20, 1948	Dismissed without formal investigation, Aug. 27, 1948.
2. Whiskies and spirits	United States Distillers Tariff Committee, Washington, D. C. (application filed on behalf of 28 distilling companies).	Sept. 7, 1948	Dismissed without formal investigation, Jan. 3, 1949.
3. Spring clothespins	The DeMeritt Co., Waterbury, Vt. (6 other producers).	Nov. 10, 1948	Formal investigation ordered Apr. 27, 1949; completed Dec. 20, 1949; no modification in concession recommended.

Applications for investigations under escape-clause provisions of trade agreements—Continued

Commodity	Name and address of applicant	Date received	Status
4. Knitted berets, wholly of wool.	The American Basque Berets, Inc., New York, N. Y.	Feb. 11, 1949	Dismissed without formal investigation, July 8, 1949.
5. Crude petroleum and petroleum products.	Independent Petroleum Association of America, Washington, D. C.	Feb. 15, 1949	Dismissed without formal investigation, May 3, 1949.
6. Hops	United States Hop Growers Association, San Francisco, Calif.	Mar. 28, 1949	Dismissed without formal investigation, May 11, 1949.
7. Reeds, wrought or manufactured from rattan or reeds, cane wrought or manufactured from rattan, cane webbing, and split or partially manufactured rattan, n. s. p. f.	American Rattan & Reed Manufacturing Co., Brooklyn, N. Y.	May 20, 1949	Dismissed without formal investigation, Feb. 17, 1950.
8. Narcissus bulbs	Northwest Bulb Growers Association, Sumner, Wash.	June 9, 1949	Dismissed without formal investigation, Jan. 13, 1950.
9. Sponges, n. s. p. f	Sponge industry welfare committee; chamber of commerce, board of city commissioners, Greek community, all of Tarpon Springs, Fla.	June 14, 1949	Dismissed without formal investigation, July 22, 1949.
10. Knit gloves and knit mittens finished or unfinished, wholly or in chief value of wool; gloves and mittens embroidered in any manner, wholly or in chief value of wool; gloves or mittens, knit or crocheted, finished or unfinished, wholly or in chief value of cotton.	Association of Knitted Glove and Mitten Manufacturers, Gloversville, N. Y.	Aug. 5, 1949	Action deferred to study further developments, Nov. 22, 1949.
11. Knitted berets, wholly of wool (second application).	The American Basque Berets, Inc., New York, N. Y.	Nov. 23, 1949	Dismissed without formal investigation, Jan. 13, 1950.
12. Woven fabrics in the piece, wholly of silk, bleached, printed, dyed, or colored, and valued at more than $5.50 per pound.	Textile section of the manufacturers division of the Greater Paterson Chamber of Commerce, Paterson, N. J.	Jan. 5, 1950	Dismissed without formal investigation, Sept. 21, 1950.
13. Women's fur-felt hats and hat bodies.	The Hat Institute, Inc., United Hatters, Cap & Millinery Workers International Union, New York, N. Y.	Jan. 24, 1950	Investigation completed; certain of the concessions withdrawn.
14. Stencil silk, dyed or colored	Albert Godde Bedin, Inc., New York, N. Y.	Jan. 30, 1950	Pending.
15. Beef and veal, fresh, chilled, or frozen.	Western States Meat Packers Association, San Francisco, Calif., and Washington, D. C.	Mar. 16, 1950	Dismissed without formal investigation June 30, 1950.
16. Aluminum and alloys, in crude form (except scrap); aluminum in coils, plates, bars, rods, etc.	Reynolds Metals Co., Louisville, Ky.	Mar. 24, 1950	Dismissed without formal investigation, Nov. 21, 1950.
17. Aluminum and alloys in crude form (except scrap); aluminum in coils, plates, bars, rods, etc.	Kaiser Aluminum & Chemical Corp., Washington, D. C.	Apr. 7, 1950	Do.
18. Lead-bearing materials, lead and lead scrap.	Emergency Lead Committee, New York, N.Y.	May 11, 1950	Dismissed without formal investigation, Jan. 23, 1951.
19. Lead-bearing materials lead and lead scrap.	New Mexico Miners and Prospectors Association on behalf of Lead Producers of New Mexico, Albuquerque, N. Mex.	May 16, 1950	Do.
20. Hatters' fur, or furs not on the skin, prepared for hatters' use, including fur skins carroted.	The Hatters' Fur Cutters Association of the United States of America, New York, N. Y.	June 22, 1950	Formal investigation ordered Jan. 5, 1951; hearing held Feb. 6, 1951.
21. Jeweled watches and watch movements containing 7 jewels or more but not more than 17 jewels and parts therefor.	Elgin National Watch Co., Elgin, Ill., Hamilton Watch Co., Lancaster, Pa.	Feb. 13, 1951	Pending.

Mr. MARTIN. Of the 21 applications to date, 16 were dismissed, 4 are pending and 1 was granted in part under political conditions not likely to be repeated for other industries. The reluctance to make a careful examination, to say nothing of granting relief, and the vague criteria for defining injury, discouraged the American dinnerware industry from making an application last spring when imports were a factor in breaking the market and some plants were down to 3- and 4-day per week operation. We started to prepare a case as best we could anyway when a war intervened.

I call your attention to the fact that even the relief granted in the one case mentioned above came almost a year after the application (Mr. Acheson called this action promptly taken) and it was only provisional. The Communist country, Czechoslovakia, has protested that the action was illegal and the matter has been referred for final decision to an international committee at Torquay.

Senator MILLIKIN. Mr. Chairman, I wonder if the witness is aware of any provision of the law that gives the right to transfer tariff problems to an international body.

Mr. MARTIN. No, sir; I have heard of none. If I may at this point I should like to read from the State Department release concerning this matter. It is press release No. 1243 issued on December 18, 1950:

> A Czech complaint charging that the United States violated the agreement in recently withdrawing tariff concessions on women's fur-felt hats and hat bodies, under the escape clause (art. XIX of the agreement) is being considered by an intersessional working party which will report to the next session.

We are thus in the position of asking an international body to decide whether or not we really are being injured after the injury has been found under the procedures already set up.

Threatened injury is, of course, difficult to define and still more difficult to "prove." Objection can be made to any rigid criteria, but some guides are certainly better than leaving the whole matter to executive discretion. I have on a previous occasion reported to this committee the extreme to which such discretion has been stretched; that one of the present criteria in determining injury to an American industry is consideration of whether or not the foreign exporting country has a satisfactory alternative market.

I might note that I have no specific evidence that this provision is still in effect but I have received no notice that it has been terminated.

Senator MILLIKIN. That is with reference to——

Mr. MARTIN. In regard to the use of these criteria in applying the escape clause.

Senator MILLIKIN. Concerning that time element you referred to when you quoted Secretary Acheson as saying this was "action promptly taken," President Roosevelt, in asking for trade agreements in his message to Congress on March 23, 1944, said:

> If the American Government is not in a position to make fair offers for fair opportunities, its trade will be superseded. If it is not in a position at a given moment rapidly to alter the terms on which it is willing to deal with other countries, it cannot adequately protect its trade against discrimination and against bargains injurious to its interests.

It is very rare that I find myself citing President Roosevelt as an authority [laughter].

The CHAIRMAN. Proceed.

Mr. MARTIN. As far as reasonable application of the criteria in the amendment are concerned, I believe that freeing the Tariff Commission from responsibility for negotiation as a subordinate of the State Department will reinstate even-handed administration in that agency and that common sense will in due course attain a status of respectability.

Concessions to Communist countries amendment: The State Department has been so unrestrained in its trade agreements power that it has negotiated or continued agreements with Communist countries for the purpose of giving the concession free to other countries. The tariff on one class of china dinnerware was cut in an agreement with Czechoslovakia so that German china and some Japanese china could benefit from the reduced rate. The adoption of this amendment would help prevent such slick maneuvering, in reverse, and I urge its adoption despite the State Department's expressed fear that it will cause Soviet propaganda to take a harsh tone toward us.

Conclusion: We favor retention by the Senate of the above-discussed amendments to H. R. 1612 made by the House.

The CHAIRMAN. Any questions?

Senator MILLIKIN. There is quite a little pottery and glassware talent in Czechoslovakia and Japan; is there not?

Mr. MARTIN. Oh, yes, sir.

The CHAIRMAN. All right, Mr. Martin; we thank you, sir, for your appearance.

Mr. MARTIN. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Torbert.

STATEMENT OF E. L. TORBERT, CHAIRMAN, FOREIGN TRADE COMMITTEE, VITRIFIED CHINA ASSOCIATION

Mr. TORBERT. Mr. Chairman, my name is E. L. Torbert and I am vice president of the Onondaga Pottery Co., Syracuse, N. Y., and chairman of the foreign trade committee of the Vitrified China Association, which association represents two-thirds of the vitrified china production in the United States.

I am here to continue our protest against the Reciprocal Trade Treaty Act and its effect upon the pottery industry in particular and the handcraft industries in general. We have appeared in protest at every opportunity in hearings held by your committee, the Tariff Commission, panels of the State Department, and to such individual Americans in and out of the Government who are still interested in those fundamentals that have made the United States strong—yes, strong enough to extend a helping hand to a considerable part of the world.

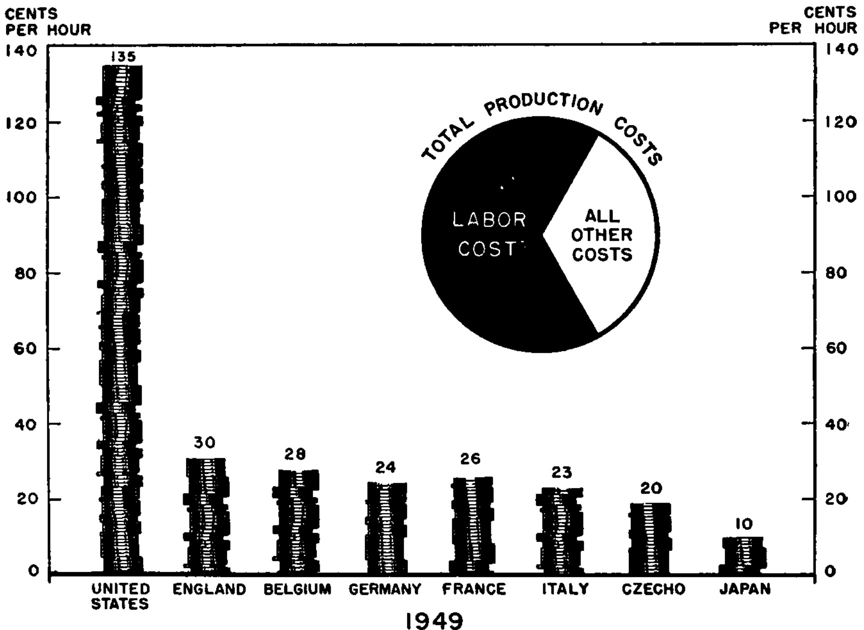
The vitrified china industry in the United States needs adequate tariff protection if it is to continue to exist in a condition of healthy activity. To survive and thrive the vitrified china industry needs tariff protection for the very ordinary and simple reason that china can be produced abroad, transported to this country, and sold here at a price below that at which American potteries can produce and sell their product.

The problem is, in essence, purely a wages problem. The American employer cannot afford to pay American wages and sell in competition

with the distressingly low wages paid in so many foreign countries. Currently the wages paid to American pottery workers in the vitrified china industry are about 4 to 4½ times wages paid English pottery workers; 6 times the rate paid German pottery workers; and 12 times the rate paid Japanese pottery workers. The chart that is attached to my brief, a copy of which you have, will show this wage relationship, I think, very dramatically. I offer that for your record.

The CHAIRMAN. It may be inserted; yes.

(The chart referred to is as follows:)



Mr. TORBERT. In connection with this matter of comparative wages here and abroad in the pottery industry, it is interesting to note that Mr. Acheson, in his testimony before this committee and I think also before the Ways and Means Committee, agrees with this point of view.

The economic effects of accepting without duty foreign products which come into this country merely and solely because of the low wages paid the laborers who produce them are in many respects virtually the same as would be the effects of importing those foreign laborers and having them work for the low wages received in the foreign country.

Senator KERR. What is the degree of concession with reference to your products?

Mr. TORBERT. In some cases it has been cut 50 percent.

Senator KERR. What does that amount to in terms of the percentage of the American value?

Mr. TORBERT. The value of the imported products varies considerably, Senator. The greatest cut, 50 percent from the 1930 rates, applies to the product which could best support a high rate; that is

the English bone china, perhaps the finest product there is, with the exception of some of that made in this country. It carries a very high price and could easily absorb the highest rate, but due to a concession made some years ago on the basis that it was noncompetitive to production in this country, the English were able thereby to get a reduction that has carried through all the various concessions.

Senator KERR. Tell me this: What does the over-all average amount to?

Mr. TORBERT. You mean in dollars and cents on the total imports?

Senator KERR. The total in terms of percentage.

Mr. TORBERT. It is a tariff reduction of 50 percent on 60 percent of the total imports of china.

Senator KERR. 50-percent reduction?

Mr. TORBERT. On 60 percent of the imports.

Senator KERR. And what does it amount to after that reduction?

Mr. TORBERT. A tariff rate of 25 percent on bone china.

Senator KERR. And what is the over-all average on all of the imports; is it 25 percent, 50 percent, 100 percent?

Mr. TORBERT. I have not weighted that out. I can get it.

Senator KERR. All right, I will withdraw that. Go ahead.

Mr. TORBERT. On English china it is over a 50-percent cut; on some china it is not so great.

The CHAIRMAN. What is it today?

Mr. TORBERT. On the English china, originally 70 percent ad valorem and 10 cents specific, it is now 35 percent, is it not, Mr. Martin?

Mr. MARTIN. Yes.

The CHAIRMAN. 35 percent on bone?

Mr. TORBERT. Yes.

Senator KERR. How much does that 35 percent amount to on the bone china?

Mr. TORBERT. If the value of English bone china is $5 a dozen and if that is the foreign value and they paid 70 percent, that would be $3.50 and that is now cut by 50 percent, so it is about $1.75 a dozen.

Senator KERR. What does the comparable American product sell for?

Mr. TORBERT. Well, comparable products have about the same price. We have comparable products we make in Syracuse that will compare very favorably with bone china.

You see, in this country we never had an opportunity to develop a large fine china industry because of the imports. Now, I have been associated, Senator, with the pottery business for 51 years with the present company and present association, and prior to that for 8 years in the purchasing and jobbing business. I have a chart showing imports from 1884 up through the World War.

Now, those imports originally came from England. Then Germany learned how to make the type of products we needed in this country. For a good many years they struggled to get the business because of their lower labor cost. They finally learned how to model and design for the American market and the imports from England declined and they went up from Germany. Then came World War I and they declined. With its ability to imitate Japan goes up; and in the 14 years prior to World War II Japan shipped into the United States over 90,000,000 dozens of tableware.

The CHAIRMAN. All right; proceed with your statement.

Mr. TORBERT. We contend that in a country like the United States which years ago restricted immigration because it felt that it was no longer in need of an increased labor force, and in which a fairly large amount of unemployment is becoming normal—a country which is already much more highly mechanized than any other country in the world—no efficient and well-managed industry should be allowed to disappear or even be crippled merely because it does not admit of extreme mechanization, and, because of that fact—with the necessarily accompanying high percentage that wages are of its total costs—is unable to compete unaided with the products of low-wage foreign competitors.

We contend, further, that it is virtually a breach of faith for the United States Government to throw such an industry to the dogs, or indeed in any way to injure it, merely to help some of our overdeveloped mechanized industries to throw their products on foreign markets.

But something more than jobs for Americans, something going even deeper than protection of American workers from low-cost labor of other countries, is involved in the tariff on pottery.

Our country needs the pottery industry. It needs it not only for employment and wages but also because few other industries attract a similar group of skilled workers and artisans. Few others impart to their workers an equal pride in creating beauty as well as a product, a lasting and enriching satisfaction completely unknown to the assembly line automaton whose whole energies are bent, for instance, to bolting fenders.

The protection afforded the domestic industry by the American tariff, which has sustained the pottery skills and existing enterprises in this country, was plainly justified from this standpoint when World War II came to America. Entirely aside from the contribution of the industry in providing essential wartime civilian requirements and the chinaware needs of our Armed Forces and workmen in war plants, the existing skills and enterprises were drawn upon to provide new munitions of war. Working closely with the Army, the industry developed and supplied large quantities of a new type of tank-destroying land mine. This contribution was recognized by the award of the Army-Navy E. The industry also developed a special type of ceramic product, manufactured to previously unheard of tolerances, which was an essential part of radar equipment.

Senator MILLIKIN. Mr. Chairman, may I remind the witness that out in Colorado at Golden we have a great outfit by the name of Coors.

Mr. TORBERT. Yes, sir.

Senator MILLIKIN. They went into the business of manufacturing chemical porcelain which, I understand, is a product which compares very favorably with that produced in other countries and which served to fill a great war need.

Mr. TORBERT. It was very fortunate for us that Coors manufactured that chemical porcelain, which had been imported from Germany. It came through in wonderful shape and they did a splendid job.

The CHAIRMAN. Proceed.

Mr. TORBERT. It appears that we shall have even greater responsibilities in the ensuing critical period. The pottery with which I am

associated has now under way three special projects for the Research and Development Division of Ordnance Department, United States Army.

Let us remember, then, that something more than economics enters here. For the making of pottery has a peculiar aesthetic appeal. It gives opportunity for the cultural development of our people and reflects in its product this aspect of our civilization.

The only ancient craft which exists today as a great industry and yet remains a craft is deserving of fair and full consideration in the broad picture of our current hopes for peace, prosperity, and human advancement.

I have referred to the cultural peacetime aspects and the wartime need of the pottery industry. To illustrate just what I mean, I will with your permission present for your inspection samples of typical American tableware production, as well as samples of American pottery wartime production, one of the latter being a steatite part required by radar, the other a nonmetallic nondetectable antitank mine.

(Samples were exhibited to the committee.)

Mr. TORBERT. It may interest you to know that the fuze in this antitank mine was developed for use at temperatures ranging from 40° below zero to 170° and over. It was the first time that any such fuze had been developed.

These samples are typical of the type of ware we are trying to produce in this country; and all we want is a good chance, a fair opportunity.

The CHAIRMAN. Is your industry now working at full capacity?

Mr. TORBERT. The industry, as indicated by Mr. Martin, receded sharply in the early part of 1950. In our own plant we were off 20 percent. The Korean situation immediately changed the picture and we are now crowded. We have many Government orders for equipment for camps for the soldiers in Texas, and at training stations for the Air Force; and presumably we will now be getting orders, very large one, from the Navy.

Senator KERR. What do you need for operation?

Mr. TORBERT. What do we need?

Senator KERR. Your chart shows that about 65 percent of your total cost is for labor. That is one of your needs—labor. What else do you need?

Mr. TORBERT. Yes; that is right; 65 percent of our selling price is labor.

Senator KERR. What is the rest of it?

Mr. TORBERT. Materials, fuel, packages, insurance, and so forth.

Senator KERR. How much of it goes, for instance, for clay?

Mr. TORBERT. Materials comprise about 7 or 8 percent.

Senator KERR. How much for fuel?

Mr. TORBERT. About 5 or 6 percent.

Senator KERR. What about power?

Mr. TORBERT. I am not the comptroller, Senator. We can put that in the record, if you would like.

Senator KERR. I was just curious to find out why some of these very ingenious and energetic and keen business operators in these industries did not go out into Oklahoma and start one of those plants, where the power and fuel is so much cheaper and the labor is so much

more highly productive and all the natural resources are so abundantly available.

Mr. TORBERT. Well, a great many potteries have grown up like Topsy.

Senator KERR. I notice some in the Southwest.

Mr. TORBERT. Yes, sir.

Senator KERR. You could save much of the transportation that is required.

Mr. TORBERT. Well, the transportation is a very small part of the cost.

Senator KERR. But it is still a cost.

Mr. TORBERT. That is right. Now, the biggest consumption is in the population centers. We feel we are pretty well located, but we have had a very nice invitation to start a plant down in Arkansas.

Senator MILLIKIN. I have a question or two. Have tariff cuts been negotiated with the principal supplying nations?

Mr. TORBERT. The one with Czechoslovakia was not with the chief supplier.

Senator MILLIKIN. Czechoslovakia, of course?

Mr. TORBERT. The one in France is also not with the chief supplier.

Senator KERR. Who is the chief supplier?

Mr. TORBERT. Germany and Japan; Japan first and then Germany.

Senator MILLIKIN. And then, of course, Czechoslovakia is an iron-curtain country, and it continues to export its chinaware products to this country.

Mr. TORBERT. Quite a little of it.

Senator MILLIKIN. There is quite a little skill over there, is there not?

Mr. TORBERT. Oh, yes.

Senator MILLIKIN. Quite a little skill.

Mr. TORBERT. Yes; we were so concerned with this general situation when business dropped off in 1950 that I went over on the other side to try to get an idea of where we were going, and what was going to happen to us, and I spent 2 or 3 months in England, Germany, and France, making a first-hand observation. I went to dispel any doubt about the productivity per man-hour in America and abroad. I saw some of the finest, most advanced machinery I ever saw in the potteries in England.

I saw a machine no bigger than a sewing machine. I asked where it came from—the Rolls Royce engineers, a beautiful machine.

I think the productivity per man is just as high in any of the English potteries or German potteries as it is here.

The CHAIRMAN. Thank you very much, Mr. Torbert.

Mr. Stein? We have two other witnesses, Mr. Stein.

STATEMENT OF J. J. STEIN, EXECUTIVE SECRETARY, CALIFORNIA ART POTTERS ASSOCIATION

Mr. STEIN. I will not take too long.

The CHAIRMAN. Let us see how long you will take to tell us.

Mr. STEIN. My name is J. J. Stein. I am the executive secretary of the California Art Potters Association, of Los Angeles, Calif. Our organization is the only organized group of art pottery manufacturers, and represents about 80 percent of the California industry.

California is the recognized center of production of art pottery in the United States with approximately 300 art potters producing $18,000,000 worth of ware annually; 3,500 persons are employed in the California industry. Complete information regarding the entire domestic industry is not available, but based upon statistics compiled by the industry and governmental agencies, it is fairly well established that there are at least 600 such plants in the United States employing over 6,000 people.

The reference to art pottery or artware means chinaware or earthenware products such as fruit bowls, flower containers, cigarette boxes, candy boxes, ash trays, lamp bases, figures, figurines, animals, candle holders, and a great variety of other household articles of utilitarian value.

The art pottery industry in this country is essentially "small business"—the average number of employees per plant is 10. However, there are some manufacturers who employ over 100 workers.

Although we have had an art pottery industry in this country for many years, its greatest growth was during the period 1940–46 when imports from Japan, England, and Europe were reduced. Since 1946, however, imports to this country have steadily increased in quantity while at the same time the average value of such imports has steadily decreased. The domestic industry cannot fail to be concerned by the rapid increase in the total market now supplied by importers as well as the steady decline in value of such imports.

Here are the seven specific reasons why our industry is opposed to the extension of the Reciprocal Trade Agreements Act as it has been administered by the State Department:

(1) Half of the total domestic consumption of art pottery in terms of value is now supplied by four foreign countries, namely, Japan, Italy, England, and Germany. The imports from these countries have been steadily increasing. Since 1943 and through 1949, the ratio of imports in domestic consumption has risen from 3.2 percent to 36 percent. Based on preliminary figures covering the last portion of 1950, this ratio will climb to 44 percent for 1950. Now, let's look at what has happened to the domestic industry in the past 5 years. In 1946, the entire domestic industry employed 12,000 people in 1,200 plants, and produced $40,000,000 worth of ware. At the present time there are approximately 6,000 people employed in 600 plants producing only $25,000,000 worth of ware. At the present rate of imports, the domestic industry has lost half its market. A reduction in tariff will serve no other purpose than to hasten the deterioration of the domestic industry.

(2) Our industry cannot compete with foreign countries which have wage scales only a fraction of those we pay. For example, the average wage currently paid California art pottery workers is $1.25 per hour. Contrast that with 12 cents paid to similar workers in Japan, 30 cents to workers in Germany and Italy, and 40 cents to English workers.

Senator MILLIKIN. Is it correct to say that the more pottery truly becomes an art product, the higher labor quotient in it?

Mr. STEIN. That is true. I bring that out later, just a little bit later in my article.

Our inability to compete with such countries is not based upon a comparison of wage scales. Of fundamental importance is the fact

that the art pottery industry in the United States, as well as in any foreign country, is a handcraft industry. Mass production methods and mechanization have only a limited application in the manufacture of artware articles. The design, quality, and appeal of art pottery can only be achieved through hand craftsmanship. Thus, whether art pottery is made here or elsewhere, the same high labor content is present. Approximately 65 to 70 percent of the cost of making art pottery is labor.

Senator KERR. Tell me what art pottery is.

Mr. STEIN. Well, art pottery covers a very wide list——

Senator KERR. Do you have any samples?

Mr. STEIN. No; I did not bring them, sir.

Senator KERR. That is not chinaware?

Mr. STEIN. It can be of china, but they are the figurines that you have seen in many homes, the flower bowls, the flower containers, the lamp bases, the fruit bowls, candlestick holders, I would say in California we make 7,000 different household items of ceramic proucts, that are used in the home. I am sure you have many items of art pottery in your home. Perhaps it is the fruit container or flower container or the centerpiece for your dining-room table.

Senator KERR. Go right ahead.

Mr. STEIN. No. 3, our opposition to the act is crystallized by a development which robs the California potter of any advantage he may have previously possessed due to his originality and ingenuity. Many importers now ship fast-selling California articles to a foreign country where they are identically copied and offered for sale in this country at prices which reflect truly "slave labor" compared to prevailing California wage rates. There is little practical help or protection we can secure to stop this flagrant pirating of design. But must we also be subjected to further injury by a lowering of tariff rates? In our opinion, a reduction in tariff under the Reciprocal Trade Agreements Act rewards those who prey on the originality of the American potter. Does such action by our Government encourage American free enterprise?

(4) Our industry, I believe quite understandably, opposes any inference that it is "expendable." But of far greater importance is the underlying principle of the act which requires some all-wise agency of our Government to decide which industries may continue and which shall be sold down the river. As a victim of the act we are no longer dealing with an economic theory but with cold reality.

Senator MILLIKIN. Where do these imports come from?

Mr. STEIN. Mostly from Japan, Italy, Germany, and England, but principally from Japan.

Senator MILLIKIN. Do you get any important competition from Sweden?

Mr. STEIN. No, sir; it is not significant.

Senator MILLIKIN. They make very fine glassware.

Mr. STEIN. Yes.

Senator MILLIKIN. Do they not?

Mr. STEIN. They are noted for their glassware, and they do have several ceramic companies there, but they do not constitute any competition.

Senator MILLIKIN. Thank you very much.

Mr. STEIN. No. 5, our industry opposes the curtailment of job opportunities in this country for skilled American craftsmen in order

to perpetuate the low living standards now in effect in Japan, Italy, Germany, and France and even in Britain. We object to any policy of our Government which seeks to reduce tariffs regardless of justification. Why should foreign potters be subsidized by our Government through constantly decreasing tariffs? Why is it necessary for the Government to increase the already highly favorable competitive advantage foreign potters now enjoy over domestic producers?

(6) Our industry opposes the present operation of the unconditional most-favored-nation policy because this feature grants concessions to countries for which there are no reciprocal concession. As currently employed, the clause is strictly a one-way deal with our Government being mighty liberal with concessions at our industry's expense. We oppose this policy for the following reason: In the negotiations at Geneva, our Government granted concessions on artware to China. China, however, is not a chief supplier of artware pottery. Under the policy the same concession was automatically extended to other countries, including Japan, who is the chief supplier of such products. Last May China withdrew from GATT and, in December of 1950, we withdrew most of our concession to China. However, the concession on artware still continues for Japan and other countries. If China were able to ship such art pottery to us, that country, too, would enjoy the concession.

(7) The industry objects to the act because it deprives American craftsmen of an opportunity to earn a livelihood in occupations of their own choosing. As the act now functions, it retards the expression and development of a truly American art. Is there any reason or justification for our Government to force American women to look to some foreign country for style and utility in ceramic household items? Why must such household articles be a reflection of European or Oriental ideas and tastes? There can be no American artware unless the industry is permitted to survive and grow. The domestic industry does not seek special favors or grants or subsidies. We merely ask that our Government be as considerate of our present and future welfare as it is of our foreign competitors.

We recommend that if the act is extended it be amended to allow domestic industries to protest misclassification of imports. As an example, china artware from Denmark is being classified as works of art dutiable at 10 percent ad valorem rather than chinaware dutiable at 45 percent ad valorem. The present classification cannot be protested by the industry because the rate of 10 percent is a trade-agreement rate.

On the basis of the above-enumerated reasons, our industry requests that an extension of the Reciprocal Trade Agreements Act be rejected unless and until specific safeguards are written into the act which will protect the American art pottery industry and similar industries. We recommend an effective "escape clause" which will enable speedy, clear-cut, and practical remedial action when the continuation of a domestic industry is threatened by competition from low-wage countries. House bill 1612 as amended provides this protection.

Senator KERR. All right, Mr. Stein; thank you, sir.

Mr. STEIN. Thank you.

Senator KERR. Mr. James M. Duffy.

Give your name and identification, Mr. Duffy.

STATEMENT OF JAMES M. DUFFY, PRESIDENT, NATIONAL BROTHERHOOD OF OPERATIVE POTTERS

Mr. DUFFY. My name is James M. Duffy. I am president of the National Brotherhood of Operative Potters, American Federation of Labor. Shall I go on?

Senator KERR. Go ahead.

Mr. DUFFY. I speak for the great majority of workers in the pottery industry through the National Brotherhood of Operative Potters (American Federation of Labor) of which I am president. These workers are intensely interested in the trade agreements program and therefore in the House bill, H. R. 1612, as amended, which is before this committee.

Our interest in this legislation arises from the practical fact that the pottery industry constantly faces very extensive competition from imports. Imports range all the way from the cheapest ware, which comes from Japan, to the highest quality china, that comes from England and other European sources. The principal competition is experienced in household tableware and in art pottery. Imports have increased greatly during the postwar period and represent over 30 percent of domestic production in household ware.

A year ago our industry was in distress. It may be helpful if we examine the situation in some detail. Production here at home had caught up with the postwar demand while imports were still climbing. In an effort to protect themselves, the manufacturers began laying off workers and putting others on a short workweek. They hoped by virtually stopping production to dispose of their high-cost inventory before prices would fall and catch them with large stocks of ware on hand on which losses would have to be taken.

The difficulty was that imports could be sold at lower prices than the domestic product and this represented a great competitive disadvantage to the domestic producer in the buyer's market that had developed. It was only a matter of time until domestic prices would have to be cut. It was therefore senseless to continue producing for stock. The only thing that justified any production at all was the filling of such orders as were on the books; and these were at a low point.

Under such circumstances, distributors are also not eager to buy unless they can get a bargain. This makes low-price imports look especially attractive and puts domestic manufacturers on the defensive. Their first thought is to cut the production cloth to fit the pattern; and thus the workers get the first shock of the recession.

The employers, of course, hope after the inventory readjustment to be in a position to reemploy the laid-off workers; but it is a question at such a time whether or when this will be possible. Unless signs of recovery appear soon, further lay-offs are carried out and if the difficulty is widespread among producers in general, great danger of a depression develops and of inability to rehire for an indefinite period. During all this time the employees suffer serious injury. The employers, on their part, may succeed in protecting their financial position for a time, depending on the length of the period before renewed buying returns. If, however, demand does not return in time, the manufacturer also begins to suffer losses. However, long before this, real

injury has been suffered by the employees and by the communities in which they live and spend their money.

During such a period, imports begin to enjoy an increasing competitive advantage, especially if the goods come from countries where very low wages prevail. If domestic producers do reduce their prices to meet the import prices, importers are in a position to outbid them because they have a wider margin to play with. The result can only be complete demoralization of the market, unless steps are taken to prevent the senseless decline by removing the pressure.

In 1950, events outside of the pottery industry brought about an upturn in business, and saved the day. As the outlook improved, the pottery plants rehired their employees and production resumed its previous pace.

The experience, however, was enough to let us know exactly where we stand under these trade agreements; and there is nothing comforting about it. We can thank our stars for the rescue, but can hardly expect to be pulled out of a similar danger next time. We want to make it clear that the rescue came from the outside and not from the trade agreements program itself.

This is the important lesson. There was nothing in the trade agreements program that we could look to for relief. The escape clause was obviously a farce if not a booby trap. As long as it was top policy to promote imports, even if at the expense of small industry, as was proclaimed openly by the State Department and ECA, there was no point in making out an application under the escape clause. There is enough loose play in the wording of that clause as it has been written into our trade agreements, to enable any administrative agency to deny a remedy. The record shows that only one industry has been given relief out of 20 applications. The Executive order which governs administration of the clause shows on the face of it that there was no serious intent to provide a means of relief. Complete discretion was given to the Tariff Commission to decide whether an investigation should be ordered. If they should order one, there is nothing laid down as a guide—nothing that tells them what they must take into account. In other words, it is a completely arbitrary extension of power, contrary to American practice.

This unsatisfactory condition should be remedied as soon as possible. I dread to think of the next time we again face a situation like the one of a year ago; and unless we are going to have a succession of national emergencies, we will indeed come up against a similar situation—a situation made worse by the restored and, in some instances, improved and enlarged productive powers of other countries.

We cannot expect to be lucky again. We must have a real remedy, on that can be invoked with the assurance that a thorough investigation will be ordered and a serious effort made to provide a remedy.

This requires a revision of the present clause and a rewriting of the administrative procedure governing it.

The amendment to H. R. 1612 passed by the House, which requires an investigation and a hearing in each case and also a finding of fact, would greatly improve the value of the clause. Probably the greatest improvement lies in the provision that would permit the imposition of import quotas. This would remove one of the most injurious elements of import competition at a time such as the pottery industry faced a year ago, as described above. This is the fear of an ever-

increasing volume of imports offered at prices below the prevailing domestic levels, exactly at a time when the domestic industry is faced by the need of making a readjustment to a buyer's market. A quota would remove the uncertainty in such a situation and the fear aroused by it; and the remedy must be available when it would do the most good. Producers could then plan ahead much better, knowing that imports could take only so much of the market in any event; and they would not be panicked into wholesale lay-offs that endanger the whole economy.

The amendment also provides that a decline in production, employment, and wages, or a decline in sales and a higher and growing inventory, and not merely financial injury to the employers, are to be regarded as evidence of serious injury if they are attributable in part to imports. This provision would make it possible to invoke the escape clause when its protection is most needed, as when a recession is on the way or threatening.

The remedy should be available in time to be of real help. It should be possible to bring it into play before imports have done their worst damage.

If these corrections are made in the trade-agreements program, we could feel that the future of our employment was more firmly assured. This country would in fact offer a better market for imports than when we fall into a depression. Our people buy more freely in times of prosperity, and imports benefit from our prosperity by selling a greater volume here. Why should other countries then seek a competitive margin here, if by underselling us in our own market, they threaten us with a dangerous deflation? We are talking about normal times and not about the present when trade is booming because of heavy defense and military expenditures.

It is not sufficiently understood abroad that unfair competition is not healthy competition. In this country we have done a great deal to eliminate unfair competition by enacting minimum wage laws, fair trade practice laws, antitrust laws and child labor laws. The result has certainly not been a destruction of business. Other countries can sell here the same as we do, on a fair competitive basis and do a great deal better in the long run than by engaging in destructive and cutthroat competition.

I offer for the record a resolution on this point adopted by both the National Brotherhood of Operative Potters and the Flint Glass Workers Union, in our last respective conventions. This resolution was also presented to and adopted by the American Federation of Labor in September 1950, at its last annual convention.

(The resolution referred to was presented for the record by William L. Green, President of the American Federation of Labor, and appears in the hearings of February 26 at p. 144.)

We hope and strongly urge that this committee will adopt H. R. 1612 in its amended form and report it favorably to the Senate, with one change, namely, that the extension be for a 2-year rather than a 3-year period. You would, by doing so, confer an economic benefit on a large number of workers in this country that find themselves in competition with low-paid workers abroad.

Senator KERR. All right, Mr. Duffy, thank you for your appearance.

There has been received here a brief of the National Matchworkers Council, American Federation of Labor, in opposition to the extension

of the Trade Agreements Act in its present form, and it will be accepted and entered in the record.

(The document referred to follows:)

STATE OF OHIO,
County of Summit, ss:

I, the undersigned T. C. Dethloff, being first duly sworn, certify that the attached brief of the National Matchworkers Council A. F. of L., was prepared under my direction and that the facts stated therein are true to the best of my knowledge and belief.

(Signed) T. C. DETHLOFF,
President, National Matchworkers Council.

Sworn and subscribed to before me this 26th day of February, 1951.

[SEAL] L. MARIE BEAN,
Notary Public.

My commission expires May 3, 1951.

MATCHES—BRIEF OF THE NATIONAL MATCHWORKERS COUNCIL, AFL IN OPPOSITION TO THE EXTENSION OF THE TRADE AGREEMENTS ACT IN ITS PRESENT FORM SUBMITTED BY THE NATIONAL MATCHWORKERS COUNCIL

INTRODUCTION

This statement is made in behalf of 12,000 men and women employed in the match industry in the United States. Up to this point no one has as yet spoken in their behalf and in our opinion their interests constitute more vital consideration to the Government of the United States than any other consideration now before the Senate committee. Already, as we shall point out more fully below, these men and women have been adversely affected by economic conditions beyond their control. They are without exception loyal and law-abiding citizens of their local communities and of the United States. Any measure that will adversely affect them must adversely affect the welfare of their communities and of the United States itself.

THE EMPLOYEES IN THE INDUSTRY

The National Matchworkers Council represents approximately 7,000 employees in the industry. The balance of those people employed in the industry are employed in classifications or categories which make them ineligible to membership in our union. Nevertheless, we speak in their behalf as well as our own. Among these 12,000 wage earners in this industry there exists to an unusual extent a large number of individuals who are aged and physically handicapped. They have found employment in this industry because of the nature of the industry itself and because the industry has lent itself to and has encouraged the employment of such persons.

Approximately 40 percent of our members are handicapped in that they lack normal vision, or because of their age, are physically unable to move about readily. For these and other causes, it can readily be seen that were these individuals displaced, they could not readily find employment in other industries and would, therefore, become a charge upon the communities as well as to themselves. The economic loss resulting therefrom in the form of unemployment payments and relief payments cannot be easily calculated but it is certain that the amount of money involved will exceed any fancied economic saving to the people of the United States which might result from a renewal of the Trade Agreements Act in a form which permits a further reduction in the rate of tariff duty on matches. Moreover, there is an even more important consideration of the psychological and social impact which must necessarily fall upon the displaced employees. These men and women now possess a pride of achievement and a feeling of social status attained by being self-supporting and by being able to contribute something to the economic welfare of their country. For the United States Government to destroy these social and ethical values would be an act which we, the representatives of these people, now strenuously condemn and will continue to condemn with every bit of force at our command.

Our members have already been adversely affected by economic conditions and by social changes in the match-consuming habits of the people of the United States. Although the population of the country has steadily increased, there has been a substantial decrease in the use of matches. This is due to the fact that there has been an increase in the electrification of rural areas, an increase in the use of stoves which possess pilot lights, automatic gas and oil furnaces, and

hot-water heaters and a substantial increase in the use of cigarette lighters. Nor has the full effect of this trend been fully recognized.

It is apparent that while on one hand there has been a tremendous increase in the number of cigarette smokers, with the resultant increase in the consumption of cigarettes, on the other hand there has been a corresponding movement away from the use of matches by these same cigarette smokers. For these reasons we feel that any renewal of the Trade Agreements Act in a form which permits a further reduction in the rate of tariff on matches can serve only to destroy American industry which is essential to the welfare of a large number of American citizens and also essential, as we will show below, to the national defense and general welfare of the country.

EFFECT UPON COMMUNITY WELFARE

The domestic factories producing matches are located in the following cities:

Dixfield, Maine.
East Jaffrey, N. H.
Springfield, Mass.
Hudson, N. Y.
Long Island City, N. Y.
Oswego, N. Y.
Elizabeth, N. J.
Baltimore, Md.
Barberton, Ohio.
Cincinnati, Ohio.
Cleveland, Ohio
Wadsworth, Ohio
Zanesville, Ohio
Chicago, Ill.
Ferguson, Mo.
St. Louis, Mo.
Oshkosh, Wis.
Cloquet, Minn.
Chico, Calif.
Los Angeles, Calif.
San Jose, Calif.
Tacoma, Wash.

This list of communities demonstrates the far-flung character of this industry and the relative importance of the various plants to the communities in which they are located. In the main, these plants are located in communities of less than 20,000 population in which the match plant is generally the principal industry in the community. Closing of the match plants in these communities will mean the creation of ghost towns and also a further reduction in the job opportunities available to the employees who will be thrown out of work. This will be tragedy indeed, not only for those employees not physically handicapped but particularly for those employees who are physically handicapped.

The effect of closing these plants upon other citizens of these communities will mean the reduction of employment for countless thousands; a brutal reduction in real-estate values and the financial crippling of essential services such as education, health, and safety for the communities involved.

THE MATCH INDUSTRY IS ESSENTIAL TO NATIONAL DEFENSE

The domestic match industry is the lifeblood of many essential chemical plants in this country since it produces their raw materials. The potassium-chlorate and perchlorate industries are the most notable of these. As was amply demonstrated during both World War I and World War II the failure of these industries to obtain supplies would cripple our national defense. During World War I and World War II Sweden, a country which would principally benefit by reduction in the tariff, was a supplier to our enemies. Sweden supplied Germany in both wars. If we have another conflict, as seems almost inevitable, Sweden will either voluntarily as in the past, or by compulsion, supply our immediate enemies. Can it be doubted that Russia will immediately occupy Sweden if there be war between it and the Western Powers? The result of a reduction in the tariff would thus be twofold: One, it would destroy the match industry of the United States and, second, it would build in its stead a monopoly in Sweden which would thereupon become part of the war potential of Russia. We strenuously urge that this consideration alone should prevent the United States from reducing its tariff on matches. When coupled with the considerations offered above, we respectively submit that there can be no successful argument, economic or otherwise, for reducing the tariff.

THE DISPARITY IN WAGE RATES MAKES TARIFF PROTECTION A NECESSITY

The average hourly wage rate of our members is $1.25 per hour. The average hourly earnings of men employed in the Swedish match plants is approximately 59 cents per hour, and of women approximately 44.2 cents per hour. The weighted average earnings of all workers in the Swedish match industry is only 53.1 cents per hour as against the $1.25 per hour in this country, as reported above. There is no authoritative information as to the wage rate of the employees in the match

industry in other European countries producing matches for export. The wage rates that are available indicate that the rates in the other countries are lower than those in Sweden. This disparity in wage rates, plus the fact that European manufacturers have made equal technological advances in the production of matches, has resulted in a decided advantage to the European manufacturers and enabled them to sell matches freely in the United States at lower prices than they can be offered by United States manufacturers.

During the past years imports of matches into the United States have consisted principally of plain-stem matches in boxes of 100 or less. The tariff on this type of match was established at 20 cents per gross boxes in the Tariff Act of 1930. This rate was reduced to 17½ cents per gross boxes in a trade-agreement negotiation with Sweden, which became effective in August 1935. The rate was further reduced to 15 cents per gross boxes effective January 1, 1950, as a result of the trade-agreement negotiations carried on at Annecy, France. A comparison of imports of matches during the 2 years immediately preceding World War II and during the postwar period 1945–50 and the effect in the reduction of the rate of duty which became effective January 1, 1950, is shown in the following table:

Imports for consumption of plain-stem matches in boxes of 100 or less

[Quantities in gross boxes]

Year	Sweden	Finland	Belgium	Italy	Russia	Japan	Other	Total
Prewar:								
1940	208,200	15,830			57,500	128,671	8,430	418,631
1941	234,805	7,305			86,000	88,807	14,911	431,828
Postwar:								
1945	81,650						108,398	190,048
1946	303,861						22	303,883
1947	193,025						1,779	194,804
1948	399,130						30,612	429,742
1949	383,865	4,355	10,000	575		45,350	369	444,514
1950 [1]	525,141	218,650	330,061	46,605		11,912	335	1,107,704

[1] Preliminary.

Source: U. S. Department of Commerce.

From the above table it will be noted that the imports for consumption of plain-stem matches prior to World War II averaged approximately 425,000 gross boxes a year. By the end of 1948 the imports had regained their prewar level. During 1949 they increased slightly over 1948 and would probably have stabilized themselves at approximately the prewar level had the rate of duty of 17½ cents per gross box continued in effect. However, the figures show that during 1950, the first year of the reduced tariff duty, the imports totaled 1,107,704 gross boxes which was two and one-half times as great as during 1949.

This table also shows a tremendous increase in imports of matches from Finland, Belgium, and Italy. During 1940–41 no plain-stem matches were imported from either Belgium or Italy and only a small quantity were imported from Finland. During December 1949, when it was evident that the rate of duty on matches would be reduced, imports were resumed from Finland, and during the late months of 1949 small quantities of matches were imported from Belgium and Italy. During 1950, under the low rate of tariff duty, imports have been increased from month to month and there is every indication that the imports for 1951 will greatly exceed those of 1950. Another factor of great importance is the low average value at which matches are imported into the United States.

Data for the period 1948–50 is given in the following table:

Average value of imports for consumption of plain-stem matches in boxes of 100 or less

[Average value per gross boxes in cents]

	1948	1949	1950 (preliminary)
Sweden	84.1	81.3	59.2
Finland		43.0	46.8
Belgium		52.8	59.7
Italy		141.2	49.7
Japan		60.9	61.9
Other countries	53.3	232.5	96.1
All countries	82.0	78.4	57.9

From the above table it will be noted that, although the costs for producing matches in the United States have been increasing, the average value for matches imported from Sweden during 1950 were more than 25 percent less than during 1948 and 1949.

The figures show that the average value of matches imported from Italy during 1950 was only 49.7 cents per gross boxes. While the tables does not give the data by months, the monthly figures show that the average value of matches imported from Italy during December 1950 was 43 cents per gross boxes. This value is less than the direct cost of producing matches in the United States without adding administrative and selling costs.

As will be noted from the table on page 5, large quantities of matches were imported from Belgium during 1950. These matches were brought in at a declared value of 60 cents per gross boxes. They have been distributed principally in the South Atlantic and Gulf ports and have been sold at prices far below those charged by domestic match producers. That this price at least bordered on "dumping" is indicated by the fact that on June 13, 1950, an agent handling the sale of Belgium Three Torches brand matches issued a bulletin, in which he stated:

"Due to the antidumping restrictions it is necessary to increase the price of Three Torches 10 cents. Our friends in Belgium have, however, agreed to compensate for this increase by offering the following discounts: Minimum of 200 cases, discount of 4 percent; minimum of 1,200 cases, discount of 6 percent."

As we understand the essential difference between a protective tariff and a revenue tariff, the latter, by virtue of its rates, would completely exclude foreign goods since the rate would make it impossible for foreign goods to compete with domestic goods; this has not occurred with respect to matches. This proves beyond a question of a doubt that the foreign match industry is already absorbing a considerable portion of the American domestic market under present tariff rates. Further reduction of the tariff rate would mean a literal swamping of the American domestic market and a complete elimination of the American matchmakers; the loss of employment to every American man and woman employed in the industry.

CONCLUSION

Since the foreign match producers are already absorbing a considerable portion of the United States market under existing tariff rates, we urge that any renewal of the authority under which trade agreements are negotiated contain safeguards which will prevent any further reduction in the rate of duty on matches and private relief from the reductions that have been made.

The present rate of duty on matches is wholly ineffective and we foresee the time when we must ask for relief from low-priced foreign competition. The present escape clause in the trade agreements has been demonstrated by experience with it to be unsatisfactory.

We wish to urge the Finance Committee to adopt the House amendments to H. R. 1612, especially the one relating to the escape clause.

May we also request that this statement be made a part of the printed record.

Respectfully submitted.

T. C. DETHLOFF,
President, National Matchworkers Council.

Senator KERR. Mr. C. W. Carlson?

STATEMENT OF CARL R. KALNOW, COMPTROLLER, UNITED STATES GLASS CO.

Mr. KALNOW. Senators, my name is Carl R. Kalnow, and I am comptroller of the United States Glass Co., appearing for C. W. Carlson, president of the United States Glass Co. of Tiffin, Ohio, and also chairman of the import committee of the American Glassware Association, who was unavoidably detained at the last moment. Mr. Carlson would have appeared on behalf of our own company and the association.

Senator MILLIKIN. What is your own company?

Mr. KALNOW. United States Glass Co., of which I am the controller.

Senator MILLIKIN. You are part of that company?

Senator KERR. He is the controller.

Mr. KALNOW. Many times I or other members of the association have come before congressional committees seeking to get legislation which will allow the hand-made table-, stem-, and ornamental-glassware industry to fairly compete with the imports from European and Asiatic countries. All of these foreign manufacturers pay far less wages than we do in this country. The highest wages paid in these foreign countries is about one-third of our wages and in such low-scale areas as Poland, Italy, and Japan, the wages are often one-fifth of ours. We, as they, must pay about 65 percent of our selling price as wages to our employees. You can therefore readily see that American hand-made-glassware industry cannot survive for any length of time unless a United States tariff is maintained which will equalize the low wages in these foreign countries with the higher wages we must pay here. American workmen receive these higher wages because our living standards have been forced to a high level that is supported by the high wages paid in mass-production industries which during the last few years have risen to at least double what they were in 1939.

Continually tariffs on hand-made glassware have been reduced in several trade agreements until now they are the lowest that they have ever been in the last 25 years. Since World War II the production of hand-made glassware in this country has declined steadily while imports have risen until in 1950 they have reached the highest level they have ever been. In the first 11 months of 1950 these imports increased 19 percent while American industry declined more than 5 percent according to preliminary figures which are collected each month by our association. Exports of this ware have declined from a high in 1946 of $1,502,530 to $346,755 in 1949—77 percent less, and preliminary totals for 1950 indicate a further decline.

Senator KERR. What is the situation at this time in your industry? Has it received the effect which has been testified to here by others from the military program in such a way so that its production has now increased, and if so, to what extent, with reference to your total capacity?

Mr. KALNOW. Well, for the first 6 months of 1950 our industry was down pretty flat. We were operating part time, but with the Korean situation we have increased almost to capacity. Our own particular plant is not quite operating at capacity, and the same is true of some of the others.

Senator KERR. But the industry as a whole is operating at what percent of capacity as of today?

Mr. KALNOW. For all the industry you can just about say full capacity, except in minor departments as far as the industry is concerned.

Senator KERR. All right.

Mr. KALNOW. The import statistics for hand-made glassware are very misleading since they are recorded in terms of the price paid for these goods in the country of origin. The totals for the year 1950 are not yet available but for the first 11 months they were $3,164,727 or at least probably $3,400,000 for the year. It is estimated that the hand-made table, stem and ornamental glassware business produced by United States manufacturers was about $29,170,000 for 1950. The obvious question to ask then is, "How does little more than $3 million of imports affect the hand-made industry so adversely?" When these

imports are sold in this country, the selling price must include duty, insurance, freight and other transportation charges, importers' storage, selling costs and profit. It is usually accepted that this $3,165,000 is sold to our customers—department stores, chain stores, gift shops, and other retail outlets, for at least 225 percent of their cost, country of origin. That is, the mark-up is 125 percent so that the impact of these imports is not as it would first appear but rather two and one-fourth times that amount or about $7,125,000. That amount added to the $29,170,000 produced in this country, less the exports of $350,000, makes a total consumption here of about $36,000,000, at ceiling price level of this ware, so that about 20 percent of the total hand-made glassware sold in this country is imported. What disturbs us most is that it is increasing rapidly. It is not because foreign ware is better than ours but rather because it is marketed at cheaper prices. There is hardly an American merchant that would not prefer to buy in this country but competitive pressures of lower prices force him to seek foreign-made ware.

From the above statements it is obvious that the American hand-made table, stem and ornamental glassware industry has in no way been benefited by the trade-agreements program. Their imports have increased to 20 percent of the domestic market and exports have steadily declined 77 percent. It is these facts that have prompted this industry continually to appear before your committee seeking to get some legislation which will safeguard its future.

We in the industry are delighted to know that the House in extending the Trade Agreements Act by H. R. 1612 has now become convinced, and by a substantial majority, that the trade-agreements program should be authorized only if safeguarded by four very excellent amendments. They are Tariff Commission peril points, the escape clause, the forbidding of granting trade preferences to communistic countries, and the limiting of tariff reduction on agricultural products so that the selling price of these products will be below United States parity prices. These amendments embody just what we in the glassware industry have been seeking for many years. We certainly do not oppose any of them and we sincerely hope that your committee will recommend passage of the House bill that is now before you.

There are undoubtedly some refinements that can be made in it; perhaps the dotting of the "i's" or the crossing of the "t" is omitted, but in general we believe that the Trade Agreements Act should be extended only if safeguarded in the manner which it has been by the House.

If in the wisdom of your committee and the Senate it seems advisable to correct some of the ambiguous parts of these amendments or strengthen them, we recommend that consideration be given to in section 3 (a) of clearly stating the intention of the Congress that peril points should be determined on the articles now being discussed at Torquay. There seems to be some question now as to whether the section as written would apply to the Torquay Conference articles. We believe that the will of Congress should be definitely stated in this respect. It is our opinion that the section should definitely apply to articles that will be affected by any agreement made at Torquay. We fear that it will be the tendency for other nations to feel that they had best get the United States tariffs as low as possible at this session of

GATT because of future complications. In that case, the tariffs might be cut at Torquay far below what they are now and American industry be endangered. We believe that the Congress desires to avoid this as evidenced by the overwhelming majority by which this section amendment passed the House.

In subsection (c) of section 3, we believe that the United States Labor Department should be included in line 15 as one of the departments that the President should seek advice and information from in regard to pending trade agreements. This probably is included in the phrase "from such other sources that he may deem appropriate," lines 16 and 17, but it would be preferable to have the Labor Department mentioned by name.

In section 6 we believe that your committee should consider the advisability of rescinding trade preferences that already have been extended to communistic-controlled countries and not have the section apply only to trade agreements entered into hereafter. It should apply to existing concessions as well. In our opinion, this is in line with our most favored nation policy since communistic-controlled countries can hardly be considered as friendly nations.

This industry is very pleased with the procedure outlined in section 7 of the bill which defines the methods and procedure which the Tariff Commission shall follow in making an investigation of an industry which appeals to it for relief to escape the injuries which have befallen it or evidently will overtake it in the foreseeable future. Perhaps there are some changes that might be made in the section to clarify and perhaps strengthen it, but we certainly heartily endorse the sound principle which prompted its inclusion in the bill.

To summarize, if in the wisdom of your committee it seems best to avoid the delay of a conference committee and make no changes in the bill, we assure you of our industry's endorsement of your action. There is much important legislation to come before this Congress and by following this course, perhaps more time will be available for consideration of many perplexing problems that await congressional action.

We assure you of this industry's great relief in knowing that the majority of the House has finally seen that the trade-agreements program needed to be safeguarded and has passed H. R. 1612 with such an overwhelming majority. We hope it will give your committee assurance to approve the bill for it undoubtedly reflects the majority opinion of the people in this country.

Senator KERR. All right, sir. The committee will recess until 10 o'clock in the morning.

(Whereupon, at 6:25 p. m., the committee adjourned, to reconvene on Wednesday, February 28, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

WEDNESDAY, FEBRUARY 28, 1951

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

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

Present: Senators George, Hoey, Millikin, Taft, and Butler (of Nebraska).

Also present: Mrs. Elizabeth B. Springer, chief clerk; and Serge Benson, minority professional staff member.

The CHAIRMAN. The committee will please be in order.

Mr. Reporter, the American Watch Assemblers' Association, Inc., is offering a brief for the record which you will please include in lieu of personal appearance.

(The statement above referred to follows:)

MEMORANDUM FOR AMERICAN WATCH ASSEMBLERS' ASSOCIATION, INC., BY BENJAMIN S. KATZ, PRESIDENT, AND WILLIAM H. FOX, EXECUTIVE SECRETARY

THE AMERICAN WATCH ASSEMBLING INDUSTRY

The American Watch Assemblers' Association, Inc., is a national trade body whose members are engaged in the production of finished watches in the United States. Approximately 15 percent of the watches we produce are manufactured almost entirely from domestic materials, and the rest are produced with the use of jeweled lever watch movements of quality imported from Switzerland. The imported movement is cased in American-made watch cases, and then carefully inspected, timed, and regulated. American-made bracelets or watch straps are attached, and the finished watches enclosed in attractive American gift boxes, and then merchandised. They are sold to the consumers through over 25,000 retail jewelers, department stores, and other retail outlets.

There are approximately 140 American companies and firms, owned by Americans, using American capital, and employing American labor, engaged in the watch assembling industry. This does not include the Elgin, Hamilton, and Waltham companies, which are domestic manufacturers of jeweled watches of quality, made wholly, or almost wholly, from domestic materials. These three companies will hereinafter be referred to as the domestic watch manufacturers, merely for convenience, to distinguish them from our group of manufacturers, the American watch assemblers.

Complete watches are also imported, on occasion, by those engaged in our industry but as compared with the importation of jeweled watch movements which, as indicated, comprise one of the materials used by the American watch assemblers in the production of finished watches in this country, the imports of complete watches are negligible.

According to a survey made by Dun & Bradstreet, in 1948, the American watch assembling industry directly employed, in 1947, over 3,900 persons in connection with its operations, to whom was paid a total of $14,679,000 in wages and salaries. A large percentage of these employees are skilled watchmakers, who form a part of the country's reserve of skilled workers, and who are generally considered to be an essential part of the Nation's war potential. In addition, we utilize the production of thousands of employees in the watch case, watch band, and gift box manufacturing industries.

The survey revealed further that watch sales account for 20 percent of the total sales income of the typical retail jeweler, while watch repairs account for another 5 percent of total income, which agrees with results obtained in similar surveys made before World War II.

In the typical store with a separate watch department, two employees are engaged full time selling watches, and the typical establishment without a watch department allots 20 percent to 25 percent of selling time to watches. As there are well over 25,000 watch retailers, and in recent years the total production of the American watch assembling industry has been approximately upward of 6 million finished jeweled watches of quality annually, it is clear that our product contributes materially to the employment of many additional thousands of American workers in the watch retailing business.

The survey also showed that at retail price levels the total value of the final products of our industry, in 1947, was $322,619,000, of which only $48,607,000, or 15 percent, represented the cost of imported materials. The balance remained in this country and included $24,566,000 which represents the cost of watch cases; customs duty, $16,933,000; payroll, $14,679,000; wrist bands $4,563,000; gift boxes $4,096,000; and excise taxes $35,485,000. The remainder includes advertising expenses, selling expenses, manufacturers' net profits, retail expenses and profits, Federal and State taxes, and all other costs. There have been no material changes in these conditions during the past 3 years.

For years past, our industry has been subjected to many attacks by the domestic watch manufacturers, and the representatives of the labor union whose members are employed in their factories, generally in connection with the tariff and imports, during the course of which we always have been referred to by them as "Swiss watch importers," but it is evident that those engaged in the American watch assembling industry are not the class of importers who bring in finished manufactures from abroad to be sold in this country in their imported condition.

The fact is that we are American manufacturers—and we have long been so classified by the United States Department of Commerce—who import semifinished foreign materials to be used in connection with domestic materials in the production of finished watches in this country; that as such we create jobs for many thousands of American workers; and it is obvious that our watch-assembling industry is a very substantial one which necessarily plays an important part in the domestic economy.

Few Americans are aware of the fact that imports of uncased Swiss watch movements create this huge American-owned and operated watch assembling industry that otherwise would not exist. The watches we produce help to fill the great American demand for timepieces at a fair competitive price—a demand that the domestic watch manufacturers operating at full capacity could come no closer than 40 percent in satisfying.

THE IMPORTATION OF SWISS WATCH MOVEMENTS HAS NOT CAUSED INJURY TO THE DOMESTIC WATCH MANUFACTURERS

In the past, when the question of reciprocal trade and the extension of the Trade Agreements Act was under consideration by the Congress, representatives of the three domestic watch manufacturers appeared before the various committees, and contended that their business was being injured by the imports of jeweled watch movements from Switzerland under the trade agreement with that country. The substance of their arguments was that the rates of duty fixed in the trade agreement did not give sufficient protection to their industry because of the lower labor costs in Switzerland.

There was nothing new in this contention, it having been advanced over and over again during the past 35 years by those favoring high tariffs on the theory that we must protect the American workman against cheap foreign labor. It is generally the case, however, that the efficiencies of the American mass production system, our plants, and equipment and tools, enable us to successfully market our production in competition with the products of so-called cheap foreign labor which after all is only one of the factors entering into cost of production.

As long ago as 1934, when the proposed trade agreement with Switzerland was under consideration, these same three domestic watch manufacturers urged before the Committee for Reciprocity Information that they were a vital industry in the time of war, and expressed the fear that removal of adequate tariff protection would destroy in 24 months the organization they had built up over a period of 100 years, and thereby place the United States in a position of depending on Switzerland for essential war material and skilled artisans.

The trade agreement was concluded and made effective on February 15, 1936, and a reduction in duties averaging 35 percent was granted on watch movements. One hundred and eighty months have passed since that time, and two of the three companies, Elgin and Hamilton, are still enjoying good business. Their financial statements show that both have earned substantial net profits in 1948 and 1949, and preliminary reports indicate that their 1950 net profits will equal those of 1949. On March 23, 1950, the Elgin Co. announced the payment of a profit-sharing bonus to its employees, from which it is evident that they make profits despite the Swiss imports about which they complain.

Waltham, the third company, is still in business, having gone through reorganization proceedings recently, as a result of financial difficulties, which it also has experienced many times in the past. The last of these unfortunate situations proved most opportune for those who oppose the importation of Swiss watch movements. The national president of the Independent American Watch Workers Union immediately charged that Swiss watch imports were responsible for the Waltham failure, and there doubtless were many persons, not familiar with the correct facts, who believed that such imports were responsible for Waltham's difficulties. The reason for this charge undoubtedly was, as so aptly stated by Hon. Dean Acheson, Secretary of State, in an address made in New York on November 2, 1949:

"Imports are such a convenient scapegoat. They can be blamed with relative impunity for a variety of troubles that arise from other causes. There is usually no one there to defend them."

However, the real reasons for the Waltham difficulties eventually became the subject of widespread comment not only in many of the prominent newspapers throughout the country but also in almost all of the trade papers, financial organs, and magazines of all kinds. In view of this, it probably is sufficient to say that it has been conclusively established at this time that Waltham's real difficulties lay not in Swiss watch imports, but in gross mismanagement, failure to provide funds to keep its plant and machinery up to date, shipment of faulty watches, the ignoring of style changes, and lack of advertising. All this adds up to gross inefficiency, and the inability to effectively compete with the other companies engaged in producing and selling watches in this country.

It is interesting to note that even the president of the watch workers union appears to have admitted some of the true facts, notwithstanding his original charges. He appeared before the Ways and Means Committee of the House, in the early part of 1949, and among other things stated as follows:

"Waltham did not maintain nor increase its sales volume, through bad judgment on the part of a president of the company who is no longer with them, thank God. * * *

"What Waltham has missed is advertising or bringing home to the American people the brand name of a product you can for years remember. For twenty-odd years we were in the hands of financiers who didn't believe in advertising. Waltham has put out 33,000,000 movements in 99 years. Waltham has an untold amount of good will resting in this country and the only way you can get it out is by advertising and promotion and merchandising campaigns, which hasn't been done. * * *

"Waltham's trouble was that it was in the hands of a group, in my opinion—and I make this charge knowing full well—that wanted to wreck the company so they could pick it up and buy it at 10 cents on the dollar on the rebound. That is what is wrong with Waltham."

From this it is clearly evident that Swiss watch imports were not responsible for the Waltham difficulties and any charge that they were is not supported by the facts.

CONTRIBUTION OF AMERICAN WATCH ASSEMBLING INDUSTRY TO NATIONAL DEFENSE

Within the past year or two, the three domestic watch manufacturers have stressed, on every occasion deemed appropriate, the contention first raised by them in 1934, 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 upward of duties on imports of watch movements from Switzerland.

There is no question that the domestic jeweled watch industry is essential to the defense of this country in time of war. But the assertion that it will be destroyed unless the duties on watch movements are increased, is not supported by the records relating to imports and to the business of the domestic watch manufac-

turers during the past 14 years since the establishment of the trade agreement with Switzerland in 1936. Regardless of what was imported, they had a substantial increase in sales from 1936 to 1941, and when they reconverted from war work to civilian production, their sales increased each year until 1948, when they reached the highest total in their histories. And their sales for 1949 were almost as high as they were in 1948. While the percentage of net profits to sales was not as high in 1948 and 1949 as it was in 1940, the net profits still were substantial, and enabled Elgin to pay a bonus to its employees out of its 1949 profits, as above stated.

In connection with the claim that the domestic jeweled-watch industry is being harmed or threatened by imports of watch movements, the following statement made by Willard L. Thorp, Assistant Secretary of State for Economic Affairs, when he appeared before the Senate Finance Committee in 1949 to give his views on the question of the extension of the Trade Agreements Act, is significant:

"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."

As previously stated herein, it has been repeatedly stressed by representatives of the domestic watch manufacturers that they constitute an essential industry in time of war and, consequently, must be preserved; and that the most important factor in this preservation now embodies the increasing of duties on imports of watch movements from Switzerland.

We would like to point out that our American watch-assembling industry also constitutes an essential industry in time of war, and that members of this industry also participated in war work during World War II. We made precision instruments, watches, and other items vitally necessary to the war effort. Our production included many articles that required the highest type of precision work. The list shown below includes the most important of the items produced by the members of this association, and so excellent was the work performed that several of them were awarded the Army and Navy "E." Their combined production totaled many hundreds of millions of units and the over-all value amounted to $70,614,825. The large difference between the total number of units produced and their total value is accounted for by the fact that many of the items were exceedingly small, and not particularly expensive, notwithstanding that they were highly precise in every case and very difficult to manufacture.

Fuzes, concrete piercing, time, rocket, etc.
Telescopes
Firing pins
Pinions
Watches
Rate-of-climb instruments
Altimeters
Navigation hack watches
8-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

From this it will be seen that the American watch-assembling industry represents just as vital a part of the over-all defense potential of this country as does the domestic jeweled-watch manufacturing industry and, therefore, that we 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 our assembling industry 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 working on exceedingly important contracts for the Armed services and negotiating for others in appropriate instances.

We have previously pointed out that our industry uses millions of American-made watch cases in the production of our watches. The manufacturers of these also are an important part of the national defense picture. Concerning this aspect, the United States Tariff Commission in its report No. 20, on watches, published in 1946, states as follows:

"The reservoir of skills employed by manufacturers of watchcases and the equipment used by such manufacturers contribute materially to the Nation's war potential. The number of tool and die makers and press operators employed by case manufacturers and the magnitude of the plant facilities, however, depend on both the quantity and variety of their output. The lower the average prices of watches, the more of them will be sold, and the greater will be the number of cases produced. Also, inasmuch as each of the domestic manufacturers and leading assemblers of watches attempts to market individually styled models, the productive capacity of domestic watchcase manufacturers will depend on the number of different firms which purchase watchcases and the number of exclusive designs each uses. The greater the number of firms which manufacture or assemble watches, and the lower the prices of watches, the greater will be the war potential of the domestic case manufacturers."

From this it would appear to be in the national interest to have a large number of American watch assemblers producing watches and that if these are sold at lower prices, the end result is beneficial rather than harmful.

The domestic watch manufacturers have in the past also suggested that quotas should be established on the importation of watch movements, and that this was necessary to their prosperity, with which we did not agree. However, at the 1949 hearings before the Senate Finance Committee, the president of the watch workers union stated, as follows:

"Gentlemen, in order that the record may be made straight, the American Watch Workers Union today does not desire a quota. * * * A quota today would be of no value."

We are in accord that quotas on imports of watch movements would be of no value, and this is as true now as it was in 1949. In a speech at Charleston, S. C., on November 16, 1945, former Secretary of State James F. Byrnes stated, respecting the liberal principles of commercial relations which this country wants to see applied by all nations, as follows:

"They are based on the conviction that what matters most in trade is not the buttressing of particular competitive positions but the increase of productive employment, the increase of production, and the increase of general prosperity."

THE AMERICAN WATCH ASSEMBLERS' ASSOCIATION HAS HERETOFORE AND DOES NOW SUPPORT THE RECIPROCAL TRADE-AGREEMENTS PROGRAM

This association favors the extension of the Reciprocal Trade Agreements Act for a period of 3 years without burdensome restrictions. It is now generally recognized that the trade-agreements program is an inseparable part of the international program of this Nation. The various measures taken by the United States to raise standards of living in Europe, and elsewhere, through production, have succeeded in putting millions of workers back into productive work. The reductions in the high tariff rates, which experience has shown had resulted in blocking the channels of world trade, through the negotiation of reciprocal trade agreements, are enabling other countries to sell their goods to us and in turn to pay for the goods they buy from us. Our own economic well-being clearly is dependent on a healthy and expanding international trade, and the trade-agreements program has operated to remove one of the most serious obstacles to the flow of world trade.

The trade-agreements program has been vigorously opposed by various industries and labor groups which believe that high tariff rates mean high employment, and in turn national prosperity and international prosperity.

The fallacy of this belief almost proves itself, because if high ariff rates were the answer to the problem, then the mere establishing of such high rates by all countries should achieve the desired results. But experience has shown that they do not, and that high tariff rates are not the answer to this problem. When enacted in the past, they have resulted only in temporary and false prosperity, and finally in terrible depression and unemployment.

In a radio broadcast on May 11, 1948, dealing with the question of the extension of the trade-agreements program, Vice President Alben W. Barkley (then United States Senator) stated, as follows:

"Between the two World Wars, the United States and nearly all other nations engaged in a series of progressive increases in tariff enactments creating artificial barriers to trade, the result of which was that all of these nations found themselves in a sort of self-constituted, watertight compartment, based upon the theory of self-sufficiency, and this situation contributed very materially to the depression which took place in 1929 and into the early 1930's.

"The annual value of the commerce of the United States in 1929 was nearly $10,000,000,000. By 1932 it dropped to $2,900,000,000 as a result of this self-sufficient narrow nationalistic policy adopted by us and by the other nations of the world.

"I do not have to remind many of you here in this audience and in the radio audience that many American export industries were completely shut down, that there was an enormous farm surplus of supplies created in the United States because of the markets of the world being denied to us, and as a result of that unemployment was widespread throughout the United States.

"I advocate the extension of the Trade Agreements Act because our own world commerce has been greatly benefited by the operation of the program. For instance, the annual average of our international commerce for 2 years, that is, 1938 and 1939 as compared to the 2 years 1934 and 1935, shows that our exports to trade-agreement nations—nations with which we had trade agreements—increased 63 percent, whereas it increased only 32 percent with nations with which we had no such agreements.

"As a result, also, the imports into the United States from trade-agreement nations increased 27 percent, whereas in the non-trade-agreement nations it only increased 12½ percent.

"I advocate the extension of the Trade Agreements Act not only because it is to our benefit as a Nation commercially, giving employment to millions of our laborers, but I advocate it because it is essential now in the world condition which prevails that we implement it with our foreign economic policies."

We are fully in accord with this statement by Mr. Barkley, which refers to the over-all world picture. The present world conditions would seem to require the continuance of the trade-agreements program, as a part of our economic policy, to enable the free nations with which this country is cooperating to secure world peace "to produce and trade and prosper" so that their peoples will have an incentive to resist any aggression.

TRADE AGREEMENT WITH SWITZERLAND ADVANTAGEOUS TO AMERICAN PRODUCERS

Inasmuch as the American watch-assembling industry imports the watch materials it uses almost exclusively from Switzerland, we would like to specifically refer to the flow of trade with that country before and after the establishment of the trade agreement with Switzerland, in 1936. The Smoot-Hawley Tariff Act of 1930 contained the highest rates of tariff duties ever enacted into law by the Congress of the United States. Official Swiss statistics show that in 1931 the value of Swiss exports to the United States of America was 92,177,984 Swiss francs, and that each year thereafter they declined until, in 1935, the exports to the United States were valued at only 48,106,418 Swiss francs. In 1931, the value of United States exports to Switzerland was 163,556,547 Swiss francs, and they also declined each year thereafter until, in 1935, United States exports to them were valued at only 69,530,832 Swiss francs.

It thus appears that under the high duty rates fixed in the 1930 Tariff Act, our imports from Switzerland declined approximately 47 percent in 6 years, while our exports to that country declined approximately 57 percent during the same period. As indicated by Mr. Barkley, a similar situation prevailed in the case of all other countries with which this country trades, and the resulting depression and unemployment during those years should not be forgotten when the increase of tariff duties is suggested.

In 1936, as above stated, this country negotiated the trade agreement with Switzerland, in which the 1930 tariff rates were reduced on a large number of agricultural and nonagricultural products. The statistics show that in 1937 the value of Swiss exports to the United States had jumped to 112,338,066 Swiss francs, and the value of United States exports to Switzerland also advanced to 126,185,414 Swiss francs, a splendid increase in trade for both countries.

The following is a picture of the over-all trade between the two countries from 1939 to 1949, inclusive:

	Swiss purchases from United States	United States purchases from Swiss
1939	$30, 583, 903. 10	$29, 890, 944. 26
1940	45, 919, 073. 40	32, 245, 011. 72
1941	34, 876, 151 70	24, 887, 859. 94
1942	54, 223, 969 50	23, 564, 736. 69
1943	13, 003, 059. 58	35, 221, 022 35
1944	4, 883, 024 71	32, 460, 038 03
1945	31, 536, 949 37	88, 814, 730. 40
1946	126, 271, 385 39	104, 488, 686. 60
1947	237, 839, 711 92	91, 001, 461. 31
1948	219, 958, 847. 52	105, 097, 409. 90
1949	176, 607, 089 34	99, 144, 206 19
Total	975, 703, 165 58	666, 816, 107. 43
Total combined purchases	$1, 642, 519, 273 01	
Total favoring United States	308, 887, 058 15	

It will be noted that except in the war period, when Switzerland was unable to import extensively from the United States, due to shipping conditions, the Swiss purchases of our products consistently exceeded our purchases of Swiss products. In the 11 years prior to 1950, the United States enjoyed a favorable trade balance of $308,887,058.

This balance of trade is favorable to the United States in every sense of the word because Switzerland is not one of the countries receiving financial aid from this country under the Marshall plan, and the Swiss pay cash for all of the goods purchased from us. The Swiss purchases in 1949 included grain and agricultural products valued at over 174 million francs; automobiles, 80 million francs; machinery, 72 million francs, and large amounts of many other items. The principal Swiss export to the United States was watch movements and watches, valued at $46,000,000, and it is interesting to note that this figure alone comes close to balancing the total of $44,600,000 which Switzerland spent for American grain and agricultural products in the same period.

It is clear from this that the money we spend in Switzerland for watch movements provides that country with funds to maintain large purchases in the United States, and it is equally clear that such reciprocal trade leads to international prosperity which inevitably must result in national prosperity and thus, in turn, in full employment.

It would seem to follow that any action by the United States that would substantially interfere with the importation of Swiss watches and movements into this country necessarily would lead to a downward trend in Swiss purchases here due to reduced purchasing power. And if such a policy were followed by the United States generally with respect to the products of other countries, it would, on the basis of past experience, not be long before the disastrous results of such policy would be felt.

Thus, any reasonable increase in imports that can be secured should prove to be helpful in preventing an increase in unemployment, and eventually should result in increasing employment. Moreover, it would tend to help solve the serious problem of the dollar gap between exports and imports now confronting this country.

This dollar gap is not a new condition. The value of our exports has exceeded the value of our imports for well over 50 years. Previously the gap has not been too large, but in the past few years has exceeded $5 billion a year. This presents a serious balance-of-payments problem for the United States.

We went off the gold standard in 1933, and thereafter bought foreign gold at $35 a fine ounce in an effort to solve the gap problem. Then in the 1940's our production was greatly expanded and vast quantities of goods exported to our allies, which we financed in large part by gifts such as lend-lease, and other give-away programs. None of this solved the problem, but in dealing with it, as stated by Secretary of State Mr. Acheson, "we have learned that the recovery and prosperity of other countries are essential to our national security and prosperity."

This is the basic reason why we must make every effort to increase imports. Clearly, as stated before, we cannot continue to subsidize our exports indefinitely.

Only by enabling the other countries to pay for the goods they buy from us will any sound foundation of prosperity be secured. Thus we should continue our trade agreements program and make reductions in our tariff.

In an article in the Commercial and Financial Chronicle, by Edward D. Wilgress, on March 30, 1950, the following is stated:

"In short, the United States must throw out the life lines to the American market. By opening her doors wider to imports, she can help other nations adjust to a new, and natural, equilibrium most effectively and realistically. That natural equilibrium must, in fact, be established, for only then can we hope for real and enduring stability in Britain and the free Western World. The United States must, therefore, continue its program of tariff reductions, steadily preparing the way for an expanding world economy."

That the tariff concessions previously granted by this country, under authority of the Trade Agreements Act, are an important factor in the efforts to solve the dollar gap problem is indicated by the United States import statistics for the first 9 months of 1950, compared with the same period in 1949. Imports for consumption in the first 9 months of 1950 amounted to $6,120,500,000 as against $4,848,100,000 in the same period of 1949, an increase of $1,272,400,000. This is a clear indication that the reciprocal trade agreements program was a step in the right direction in our Government's efforts to develop a sound, balanced system of world trade.

The present Trade Agreements Act, as amended, provides adequate safeguards for domestic industry against injury or threat of injury that may result from any tariff concessions granted on imported goods, and there are very efficient and responsible agencies of our Government having this phase of the subject in their charge.

The Trade Agreements Extension Act of 1948 included certain amendments providing additional safeguards, one of which required the Tariff Commission to make an investigation of each article to be considered for possible modification of duties, and to make a report to the President indicating the lowest rates which could be granted without causing or threatening serious injury to the domestic industry producing like articles—the so-called peril-point amendment. In practice, this would be a great burden in connection with the negotiation of proposed trade agreements.

The Trade Agreements Extension Act of 1949 repealed the Extension Act of 1948, so that the burdensome and crippling amendments enacted therein are no longer in effect. The procedures followed prior to 1948 and subsequent to 1949, in negotiating trade agreements, have been workable and effective from a practical standpoint and, therefore, we do not favor peril-point determinations and other restrictions that would tend to cripple the reciprocal trade-agreements program.

H. R. 1612, as passed by the House, contains peril point and certain other burdensome provisions which, if enacted into law, would so seriously affect the negotiation of reciprocal trade agreements as to make such program virtually unworkable.

CONCLUSION

As hereinbefore stated, we have in the past supported and endorsed the reciprocal trade-agreements program whenever the question of extension thereof for a further period was under consideration by the Congress, because through this program "we were gradually opening up the channels of world trade that have been clogged for a generation."

We conclude this memorandum by again urging that the Reciprocal Trade Agreements Act be extended for a period of 3 years, as proposed in H. R. 1612, but without the burdensome restrictions contained in sections 3, 4, 5, 7, and 8 thereof, which we do not favor.

The CHAIRMAN. Hon. John J. Burke, Jr.

Mr. BURKE. It is a new procedure for me, sir, so shall I be seated or stand?

The CHAIRMAN. You may be seated if you wish to.

Mr. BURKE. I will not talk that long. I will stand, sir.

The CHAIRMAN. You can be seated. It is all right. You are the mayor of your city?

Mr. BURKE. Yes, sir.

The CHAIRMAN. All right, sir; we will be very glad to hear from you.

STATEMENT OF HON. JOHN H. BURKE, JR., MAYOR OF THE CITY OF GLOUCESTER, MASS.

Mr. BURKE. My city, sir, is in a very peculiar situation. We have nothing but a fishing industry to maintain the population. I can honestly say that if it were not for this present emergency and this present armament, I fear we would be completely closed up.

We were on the verge of it in the early part of 1950, and then when the Korean situation opened up and the armament program started, the United States Army more and more began to buy our product, and that has stimulated our market so that at the present time we are operating and are in a relatively good condition. It is entirely predicated on armament.

Our trade, the United States domestic trade, cannot begin to approach the foreign competition. They can produce fish and put it into this country, frozen fillets, cheaper than we can by a great margin. We unfortunately have taxes that we have to pay, such as the unemployment taxes which amount to practically 3 percent of your gross.

Most of our boats, which are owned by about 150 individual owners that have got their life's earnings wrapped up in them, have been operating up until August of this year at a loss of a considerable amount of money for each one. Our work for the fish cutters has been very spasmodic up until August of 1950, and the whole town was absolutely depressed and was afraid and apprehensive that it was actually the end.

Now in all honesty the fishing industry depends upon the fish that they process from the waters that are more adjacent to our competition, which of course gives our competition a decided advantage. Yet we who have spent our lives, and our ancestors who spent their lives building up the fishing industry of Gloucester, feel as though we can't move to Nova Scotia and Newfoundland, which of course have been our principal competitors, because there are reasons why you cannot even transfer the registry of your vessel, and they have such a distinct advantage on us.

Our industry, like all the other American industries, is unionized, and I am not opposed to unions, but unions have naturally got advantages for labor and they have cut the take of a vessel down to a point that they cannot get by for the operator, and the Canadian vessels operate on two-thirds of the entire catch for the owner and one-third for the crews and expenses of the cruise, which of course gives the owner a distinct 20 or 25 percent advantage over and above us in the first place.

Canada has been subsidizing the fishing industry. They have been helping the owners. They have been helping them build the boats. They have been putting grants into them. We do not find it that way. We have to maintain them ourselves and pay our taxes ourselves, and in going over the entire fleet I could not find, prior to August, over a half a dozen boats that were operating in the black.

Now if the boats cannot operate in the black, they cannot bring the fish in for the population that processes the fish to work on, because in the end all the boats are mortgaged and they have been more heavily mortgaged as they have been going back in the last few years, and eventually you are just forced to tie up.

Now we have another situation that is becoming even more dangerous in our industry, and that is the opening up of Iceland for the sending in of the processed fish. I might cite that in January 1950 Iceland imported 315,550 pounds of frozen fillets. On January 1951, 1 year later they imported 2,517,613 pounds. Now that is a new source of foreign import.

The Canadian market in January of 1950 imported 3,881,329 pounds, and this year, 1951 in January, they imported 6,249,319 pounds, or twice as much as they did a year ago, and added to that the Iceland imports, there is such an importation that has got to be absorbed by the consuming American public that when they get to us there is no market left.

Now I honestly feel that if we do not get—this present emergency excluded; naturally it is an artificial situation and we hope it will be over as soon as it possibly can. We have got to consider normal and not abnormal times, peace years and not war years.

I know and feel in my heart if we do not get help from the Government either in the forms of quota restrictions or tariff regulations, the city of Gloucester, which is my city, is positively doomed and we will go out of existence as far as the fishing industry is concerned, and we unfortunately, because of our geographical location, have no other industry to turn to.

The CHAIRMAN. How far are you from Boston?

Mr. BURKE. Thirty-five miles from Boston on a point, on a cape. It is at the end of a cape and it is not strategically situated for any other industry. The transportation problem affects us greatly.

The CHAIRMAN. What is your population?

Mr. BURKE. 25,000 and a few hundred over at the latest census. We had the same population 10 years ago and 20 years ago. In other words, there has not been the normal increase. It has stayed even, which of course is really going back when you base the population on that of other cities.

The situation is absolutely perilous as far as the fishing industry is concerned in our city, and that is the only livelihood we have got. Now the other cities—and you will hear testimony from various people that are here from the fishing industry, I presume—will tell you their plight is bad and it is bad as far as the fishing industry is concerned, but every other city that is involved in the fishing industry has other industries to perhaps stave off absolute collapse. We have nothing but fish and related products.

Senator MILLIKIN. It is pretty tough to have a man develop himself as a fisherman or a worker on fish all of his life, and then say, "Go out and find some other kind of a job." That is a pretty tough situation.

Mr. BURKE. After a man has been 20 years at it or 30 years at it, he just cannot. He is not adapted to anything else. You do not pick up a new trade. It is too hard.

Senator MILLIKIN. Give me a little more detailed idea of what happens to the fish after it is landed in Gloucester. I would like to get some idea of the processing end of it.

Mr. BURKE. Our boats come in, sir, they will have anywhere from 75,000 up to 200,000 pounds of raw fish. That is the whole fish. Our city catches rosefish which has become the biggest importation in this country. Rosefish is more abundant in the North Atlantic,

Greenland, and Iceland than any other species of fish. Therefore it has become the biggest import and it is our entire production.

Now that fish comes in and is unloaded, put on a belt and goes by these cutters. They will take off the individual fish, sliver off each side into what we call a fillet. If a fish weighs 2 pounds, you will get a fillet off of each side that will go probably, about 30 percent of the entire weight of the fish will go into the fillet.

Senator MILLIKIN. A hand operation?

Mr. BURKE. That is a hand operation. Any other way has proven unsuccessful. It has worked on haddock and mackerel but the redfish are so irregular in size it has not been successful by machine.

Senator MILLIKIN. It is also a hand operation by the competition?

Mr. BURKE. Yes, on both sides. Once the fish is cut, it is put in a brine tank with a salt solution in it. In the case of Army inspection, which is practically all we have in Gloucester, they have Army inspectors testing the solution, the quality of the fish, also the size of the fish. Then it goes up into a packing belt and these girls will take off the fish estimated pounds. They are so clever at it and have been at it so long that they will pick up almost to the ounce or fraction of an ounce the pound. It will be rolled in cellophane and wrapped in boxes, 10 packages to the box, then taken to the freezer.

Senator MILLIKIN. You are speaking of the fillet?

Mr. BURKE. The fillet; yes, sir; and it will be taken to the freezer and stored for sale. Now the Army will inspect it and they will stamp it and you will be allowed later, within a very short period, to bid, and taking so much, everybody's fish being taken, the bids are more or less the same. They are practically at cost plus a slight profit. The profit is very, very slight.

The only thing that has saved us, the Government through the intervention of friends here in Congress, adopted a policy whereby all of our Army procurements are bought domestically, and if it was not for that, they would be buying importations, and we would absolutely be in a much worse plight than we are now.

The Army, with the ever-increasing size, as it has been of the last few months, is taking more and more of our production, and it has momentarily given us a lease on life, but we have got to look in terms of when we are going back to normal operation, which we all hope and pray will be as soon as it possibly can.

Senator MILLIKIN. You need not be disturbed over precedents in other fields. The Army has bought meat in other countries, so it might get the same notion as to fish, but we have not met that yet.

Mr. BURKE. Sir, it was only the tail end of the last war that through some intervention or intercession as the case might be, they started to buy domestic fish, and it really saved us. It is a momentary salvation, because the production of Gloucester last year was 220,000,000 pounds of whole fish, which you can multiply by 30 percent to see what the fillet production was, and the Army today will take at the present basis, 1,000,000 pounds of fillets for the year, which of course is even more than we produced last year.

Now I do not want to have you feel that everything is wonderful today, everything is getting by today because of this situation, but take the Army out of our field and where are we?

The foreign competition, sir, on fillets is this way. The brokers in New York will pick them up at the price they can pick them up at

and peg them under the American market. If it costs you 28 cents to produce a fillet to put into the market, they will put their fish out fish out at 27 or 26½.

In other words, they will go up as near as they can to put theirs out and make a large profit for the importation, but if we dropped our price to, say, the point where we were losing 20 percent, in other words if we dropped our price to 20 cents, they would be working at 19 and making money. They are putting rose fillets into New York out of Iceland for 17 cents. We cannot buy the raw fish for that amount of money.

Senator MILLIKIN. Let me pursue this again. I am trying to get a picture of your whole industry.

Mr. BURKE. Yes, sir.

Senator MILLIKIN. Now you have a lot of people that are working, doing this filleting, would you call it?

Mr. BURKE. Yes, sir; filleting, packing, and freezing.

Senator MILLIKIN. You have got a lot of investment, processing plants?

Mr. BURKE. All stainless steel, sir. The Government insists upon it or they will not buy the fish if it is not stainless steel and sanitary 100 percent. The Government will not approve the plant and you cannot sell them.

Senator MILLIKIN. These employees are women and men?

Mr. BURKE. Women and men.

Senator MILLIKIN. And mostly local residents?

Mr. BURKE. They are all local residents and they are all unionized and they all get a decent standard of living, provided they are working.

Senator MILLIKIN. What happens to the part of the fish that is not filleted?

Mr. BURKE. That, sir, is what we consider as gurry. There are several dehydrating plants that will buy that gurry. The present price is $12.50 a ton. During the last war it was $20 a ton, and it has been down as low as $4 a ton.

Senator MILLIKIN. Is that used as fertilizer?

Mr. BURKE. Very little, sir. Now they dehydrate it and they use the oil for vitamins and the processing of leather and various other things that they use it for that I am not acquainted with, but there is a good market.

Senator MILLIKIN. Who do you ship that stuff to?

Mr. BURKE. It is bought, there are three processing dehydrating plants locally in Gloucester and there is one that is controlled by the General Seafoods; that is Woburn that is only about 20 miles away.

Senator MILLIKIN. So that employs people?

Mr. BURKE. That employs a considerable number of people.

Senator MILLIKIN. What is the investment?

Mr. BURKE. Two of the plants in Gloucester are covered by RFC loans, and about $2,000,000 is the investment of two of the plants, and both of them have got RFC loans, so their demise would be another blow to the RFC. I do not think there is any scandal involved though. They do employ about two or three hundred people.

The CHAIRMAN. Your tuna fishing has not developed commercially; has it?

Mr. BURKE. It has not been profitable, sir. They have tried it several times and we have not got enough supply of the fish in enough

quantity to make it profitable. In other words, you may go out this trip and find them and you may spend the next five trips and find not enough to catch. It has not proved profitable. If it did it would help, but the volume of tuna fish in our waters is not sufficient for commercial enterprising.

Senator KERR. Say that again.

Mr. BURKE. The volume of fish in our waters is not sufficient, tuna fish, for commercial enterprise.

Senator KERR. Is this the mayor of Gloucester?

The CHAIRMAN. Yes, Mayor Burke.

Senator MILLIKIN. Mayor, let me ask you one more question. Do you have canning operations? It seems to me I used to buy some canned fish products in Gloucester.

Mr. BURKE. Yes, sir. To my knowledge there are four canneries in Gloucester. Gorton-Pew operates a large cannery. Frank I. Davis that you probably remember is a mail-order house.

Senator MILLIKIN. That was the outfit.

Mr. BURKE. They have operated a large business, but they have kind of gone back. The founder died. They are operating, but not the way they did. There is Davis Bros. that has done a considerable amount of canning, especially during the last war. They did a tremendous output of mackerel.

Of course we are in another situation. The last 2 years we have lost the mackerel. In other words, if you cannot find a mackerel to catch—they are a school fish—you cannot can them, and for 2 years we have not found them. Whether they are there or not is a question.

Senator MILLIKIN. You have a payroll that is attached to that canning business?

Mr. BURKE. Definitely, sir.

Senator MILLIKIN. And an investment?

Mr. BURKE. In other words, every bit of payroll that comes out of the city of Gloucester is fish or a related product. There is not one industry other than fish in the city of Gloucester.

Senator MILLIKIN. The problem is the same as to every other fishing port except as you pointed out there might be a chance for somebody that is put out of business in the fishing line to go into some other line if that line is not on its back.

Mr. BURKE. That is true.

Senator MILLIKIN. But that involves all sorts of dislocation.

Mr. BURKE. That is right, sir.

Senator MILLIKIN. Of taking men and women out of business for which they have trained themselves all of their lives. It involves taking them away from home, taking the kids out of school, moving them maybe some place else, is that right?

Mr. BURKE. Very true, sir. A specific instance would be New Bedford which is a big fishing port, but the mills in New Bedford would hire 80 percent of the help used in New Bedford and the 20 percent would be related to fishing.

Now if fishing was killed, 80 percent of New Bedford would still maintain the town provided the mill operated, but in Gloucester it is 100 percent of your labor that is in fish or related products, and when we are done, it is like a ghost town.

We were absolutely at the end of the rope from about April until August of this year. You could not sell your product. Your freezers

were filled. The price that you would have to offer in competition to the Canadian market was so low that you could not pay the insurance on your boats, which you have got to carry because if you have got a mortgage the bank insists upon your carrying insurance.

The rates would go up of course based on the losses of all maritime vessels, so your rates are up now so that the average rate would be 8 or 9 percent of the value you place on the boat. Most people carry a value that would barely cover the mortgage so the bank would be bailed out if they lost the boat. You could not even afford to protect yourself on that basis, and you could not catch enough fish at the price they were able to pay and compete with the Canadian prices at that time to pay your insurance.

We had a situation where people were just out of money. The firms had their money tied up in the freezer. In other words, their inventories had used up their working capital. Your banks, your big banks realized that that situation existed, and they shut off your credit as far as any more inventory was concerned, and the town was in a bad situation.

This is an honest figure. Our welfare in the city of Gloucester, a city of 25,000, and by that I mean the four agencies of welfare such as old age, unemployment insurance, aid to dependent children, soldiers' relief and straight welfare runs over $3,000,000 for a town the size of 25,000 population. In other words, how long could a town get bonds to pay off that welfare if your taxes stop coming in?

The situation as far as my city is concerned is critical, bearing in mind the present situation is artificial. I want to be perfectly honest.

The CHAIRMAN. Any further questions?

Senator KERR. I have been to your city and I was quite impressed with it as a tourist city.

Mr. BURKE. Yes, sir, it is a nice tourist city; but you cannot support 25,000 people, which means about 8,000 workers, on tourists.

Senator KERR. It is not only a very wonderful coast line——

Mr. BURKE. Beautiful. From Cape Cod down to the tip of Maine is the best part of the United States as far as view is concerned and coast line and scenic beauty and a resort center for the summertime. It is marvelous.

Senator HOEY. I differ with you. I think North Carolina is.

Senator KERR. There is a wonderful place there for sea food, the place that looks out over the bay.

Mr. BURKE. The Tavern, yes, sir; that has always been very good and you will get real sea food there and it is properly prepared and you cannot beat it.

Senator KERR. I think the major comes from a very fine community, Mr. Chairman.

Mr. BURKE. Thank you, sir, for that kind remark; and if you have no further questions I will excuse myself.

Senator MILLIKIN. Mr. Mayor, I would like to have you take back the great consolation which those who manage these tariff affairs would offer to you. I am reading from an address by Clare Wilcox entitled "Relief for Victims of Tariff Cuts." This is his own description in his own story. I quote from page 889 of the American Economic Review of December 1950. He says:

This is not to say, however, that nothing should be done to ease the burden of adjustment to economic change. To this end fortunately another approach is

offered by a policy of providing public assistance to facilitate conversion to more promising activities.

They could make artists out of all of you folks.

Mr. BURKE. Yes, that is very true. There are quite a few up there.

Senator MILLIKIN (reading):

Loans can be made to enterprises that desire to explore new markets, develop new products, acquire new equipment or introduce new processes. Displaced workers can be supported temporarily by insurance benefits, given vocational training and aided in finding other jobs. Insofar as existing services of this nature are inadequate, they can be strengthened and amplified and they can be made available to all who are compelled to adapt themselves to new conditions, whatever the cause of their difficulty may be. If this approach were taken there would be no need to offer special treatment to the possible victims of tariff cuts.

Mr. BURKE. Beautiful theory.

Senator MILLIKIN. I did not want you to go away with a complete feeling of gloom. I am sure that makes you feel good.

Mr. BURKE. I am so happy to have heard it. Beautiful theory. I hope he tried to work it out for us.

Thank you, sir.

The CHAIRMAN. Mr. Joseph H. Francis.

Mr. Francis, I am not sure whether you are next on this list or not, the way it is made up.

Will you have a seat?

You are just not numbered; maybe you are well known around here.

You are with the fur industry. Well, sir, we will be glad to hear you again.

Mr. FRANCIS. Yes, sir; thank you.

STATEMENT OF JOSEPH H. FRANCIS, EXECUTIVE SECRETARY, NATIONAL BOARD OF FUR FARM ORGANIZATIONS, INC., MORGAN, UTAH

Mr. FRANCIS. My name is Joseph H. Francis, and I am executive secretary of the National Board of Fur Farm Organizations with address at Morgan, Utah.

Mr. Chairman and members of the committee:

I am appearing in the capacity of executive secretary of the National Board of Fur Farm Organizations, a national association representing the fur farming industry of the United States.

The complex international aspect of the fur industry makes the Trade Agreements Act a vital factor to the life and welfare of our industry. This fact accounts for our persistent appearance before this committee in pointing out from practical experiences, injury and injustices being caused our industry by not brining about some basic alterations in the Trade Agreements Act so as to keep its operations current with the needs of today.

We are not unaware or unappreciative of the efforts that have been made to bring about some reasonable adjustments in our trade agreements program, such as the recent actions taken by the House which is evidence that some changes are essential under present economic conditions. We are also pleased to note that for the first time in many years, the State Department, as stated by the Secretary, is receptive to some revision or additions being made.

This environment is indeed encouraging in comparison to the "take it or leave it" attitude under which the act has been extended on pre-

vious occasions. Had this cooperative spirit been exhibited on the House side, I am sure the bill would be in much better form than it now appears. Be that as it may, the responsibility now rests upon this committee which is fully competent, and which industry has great confidence in to make use of this opportunity to bring our foreign trade policies in closer alliance with the needs and conditions of today.

I do not feel it necessary to go into detail to point out the serious condition our industry is in as a result of the tremendous volume of imported furs. The records before this committee and other various agencies of Government will speak for themselves. I should state, however, that the depressed condition of our industry since our last appearance 2 years ago before this committee is steadily becoming more acute.

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 400 farms left in business today, with an estimated production for 1951 of less than 27,000 pelts.

Senator MILLIKIN. Were not the veterans of World War II encouraged to get into that field of fur farming?

Mr. FRANCIS. That is correct, Senator. Under the Veterans' Administration they had a program assigned and there was a considerably large number of veterans encouraged to go into this business.

Senator MILLIKIN. Thank you.

Mr. FRANCIS. Mink farming did not reach a point of importance until the late thirties and showed a steady growth and development until 1948 when there were 6,061 mink farms. Today, there are a little over 5,000 mink farms, a decrease in 2 years from 1948 to 1950 of approximately 1,000 mink farms. This is a severe set-back to a new small industry that should be encouraged and protected through its early stages of development.

A moment's study of the following tables will point out what has happened and why it has happened, more clearly than prolonged discussion.

Here, Mr. Chairman, I would like to leave the statement to just go over the chart briefly that we have prepared.

The CHAIRMAN. The chart will be incorporated in the record at this point.

(The chart above referred to 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
1930–39	228,333	$31.65	$26.60	+$5.50	30,168	13.1	$49,533
1940–45	230,608	26.22	33.05	+3.17	80,541	34.9	99,556
1946	245,379	35.45	36.16	+.17	85,556	31.1	241,556
1947	253,167	17.37	39.50	−12.13	67,500	26.4	124,167
1948	125,250	12.96	40.10	−27.04	32,120	25.16	162,775
1949	61,848	10.86	39.80	−28.94	8,784	14.2	105,000
1950 [1]	27,000	11.69	40.00	−28.31	12,000	44.4	104,418

[1] Preliminary.

Total excise tax receipts on all furs under 20 percent war rate, calendar years

1944	$68, 814, 000
1945	88, 775, 000
1946	97, 491, 000
1947	85, 326, 000
1948	73, 140, 000
1949	53, 700, 000
1950	48, 815, 000

United States fur-farming industry—mink branch

Period	Total domestic production of ranch mink	Price received per pelt	Cost of production per pelt	Profit (+) and loss (−) per pelt	Imports of mink	Percent of imports to production	Total value of all imports of furs
							Thousands
1930–39	300, 000	$11. 24	$9. 10	+$2. 14	178, 986	59. 6	$49, 553
1940–45	475, 684	16. 09	15. 55	+. 54	396, 162	83 2	99, 556
1946	1, 196, 169	28. 43	18. 42	+10. 01	273, 386	22 8	241, 556
1947	1, 525, 763	18. 70	18. 80	−. 10	763, 026	50. 0	124, 167
1948	1, 600, 661	17. 71	19. 00	−1. 29	825, 634	51. 5	162, 775
1949	1, 870, 901	13 48	18. 50	−5 02	1, 200, 000	46 8	105, 0C0
1950 [1]	1, 950, 000	17. 56	18. 05	−1. 09	1, 350, 000	69. 1	104, 418

[1] Preliminary.

Mr. FRANCIS. I know that we can put forth all kinds of cases with figures, but we have assembled some figures in regard to our industry. First it deals with the silver fox branch, and then the mink branch that covers our domestic production, our prices received, the cost of production per pelt, profit and loss per pelt, imports of the silver fox and mink, and the percentage of imports to production and the total value of all imports of furs in dollars.

Senator MILLIKIN. Is the silver fox and mink the same words for the same animal?

Mr. FRANCIS. No; Senator, they are not. They are different animals. It takes different management and different equipment. One cannot be interchangeable with the other.

The CHAIRMAN. Maybe the mink business will pick up now that it is getting a good deal of advertising around here.

Mr. FRANCIS. Well, it depends, Senator. Not if they do away with the RFC.

Senator MILLIKIN. I have known Mr. Francis for a long time and I have never seen him passing out any fur coats of any kind.

Mr. FRANCIS. Senator, we are like most other farmers. We cannot afford one ourselves.

To get back to the table, in 1946 I would like to point out that was following the year when they literally dumped into our country here $241,000,000 worth of furs. You can see from the table that the price fell in that year on silver foxes from $35.45 to $17.37.

That same situation, if you will refer to the lower table occurred in our mink. That same year we were receiving in 1946 $28.43 per pelt, and in 1947 as a result of these large imports it dropped down to $18.70 per pelt, and we have not recovered from that tremendous shock.

Senator MILLIKIN. Is this correct, Mr. Francis? That the Congress, aware at least partially of the distress of the fur farmer, set up a loan program a couple of years ago, and that as a matter of fact

the plight of the fur farmer had become so desperate that they could not find any, or at least they could not find more than a few fur farmers in good enough financial shape to justify a loan?

Mr. FRANCIS. Senator, in that respect your statement is correct, and in support of that I happened to bring along a letter from Secretary of Agriculture Brannan that I would like to insert in the record, which bears out that very fact. This letter was as a result of a changeover made in our loan program from the Regional Agricultural Credit Corporation to the Farmers Home Loan Administration, and if per missible I would like to insert this letter in the record at this point.

The CHAIRMAN. That may be done.

(The letter above referred to follows:)

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D. C., January 24, 1949.

Mr. JOSEPH H. FRANCIS,
Executive Secretary, National Board of Fur Farm Organizations,
Morgan, Utah.

DEAR MR. FRANCIS: This is in reply to your letter of December 27, in which you state your views concerning loans from the Regional Agricultural Credit Corporation of Washington, D. C., for the purpose of assisting fur farmers.

You are, of course, aware that the congressional authorization for making loans to fur farmers specifically requires that the borrower must assume full personal liability for the loan, and that each loan must be secured by collateral deemed sufficient by the Corporation to give reasonable assurance of repayment.

Since Congress enacted the legislation making these loans possible, the Corporation has received a number of requests for information and some applications for loans. From the information furnished by the fur farmers themselves, it is evident that many of them are not in a position to meet the requirements of the law. Most of the applicants are already so heavily indebted, and have mortgaged their property to such an extent, that they do not have collateral adequate to give reasonable assurance of repayment of their present indebtedness plus the additional amounts they would need to continue operating their fur farms.

We believe that the Regional Agricultural Credit Corporation has been endeavoring to give such assistance to fur farmers as it can within the limits of its authority. If the loan inquiries and other information we have received represent a fair cross section, however, it is quite evident that under the present law loans can be made to only a few of the fur farmers who are in financial difficulty.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

Mr. FRANCIS. Now in support of our conclusions, Mr. Chairman, that imports do have a very definite effect, and not other conditions as the Secretary of State or the State Department has tried to support, I want to point out that in the year 1946 we collected from excise taxes on the sale of furs $97,491,000.

Senator KERR. Have you got a column showing that?

Mr. FRANCIS. Right in the second table it is shown by years, Senator, our collection from income taxes which is our best criterion of our volume of business done, if you will note that, in 1946 we reached our peak, though our volume of sale was the highest point during all these years, when they dumped this tremendous amount of imports into our market, it did affect our prices of pelts and it was not wholly a result of the high excise taxes as the State Department has claimed was our trouble.

I want to make one other comment in regard to mink. If you will note in the lower table dealing with mink, we have shown some small progress or increase in our production on mink farms since 1946 and 1947. This does not, however, take into consideration our wild mink production which has slowly deteriorated since those years.

Our best estimate of wild mink production in the United States in around 1946 and 1947 is about a million pelts, and according to the best information we can get through the Department of the Interior, Fish and Wildlife Service, and from the various States which has handled gathering of the fur as a component part of their wildlife resources, they estimate that wild mink production has decreased to around 600,000, so all we have done in our fur-farming industry is take up the slack lost by the reduction in our wild mink production.

Senator KERR. You call your production ranch mink?

Mr. FRANCIS. That is correct, Senator.

Senator KERR. I see that your pelts for 1949 were worth $13.48.

Mr. FRANCIS. That is correct.

Senator KERR. How many of those does it take to make a fur coat?

Mr. FRANCIS. It depends on the type of fur coat, but normally I suppose the average would be around 60 mink to make one fur coat.

Senator KERR. About 60 mink to make a fur coat—60 pelts, if they were $15 apiece, would be $900. What did that fur coat sell for from 1930 to 1939?

Mr. FRANCIS. I am not too well acquainted with what the average price of fur coats sold for. I do not know how you would get an average on the sale price of all the fur coats. Some are better quality than others, like in the case of the publicity given of this pastel mink which is a new mutation mink just developed where this kind of mink are very scarce, the coat prices would be very high.

However, in regard to average, I would say around $2,000.

Senator KERR. From 1930 to 1939?

Mr. FRANCIS. That is right.

Senator KERR. At that time the pelt was $11.24.

Mr. FRANCIS. $11.24 in 1939. In 1949 the pelt was $13.48.

Senator KERR. But you said back in 1935 to 1940 the coat would have sold fof $2,000, did you not?

Mr. FRANCIS. No, excuse me. I misunderstood you. I thought you asked what it sold for in 1949.

Senator KERR. You mean that a ranch mink fur coat in 1949 was selling for $2,000?

Mr. FRANCIS. Yes, many fur coats in 1949 sold for $2,000, plus tax.

Senator KERR. Ranch mink coats?

Mr. FRANCIS. Yes, certainly, sir.

Senator KERR. What are they selling for now?

Mr. FRANCIS. I think not too far above that figure, perhaps another $500, which has gone into the cost of manufacturing and so forth. I would estimate that about twenty-five to twenty-seven hundred dollars is the average price paid for a full length mink coat today, sir.

Senator MILLIKIN. There is a very large labor item in making a mink coat, is there not?

Mr. FRANCIS. $800 they estimate the labor cost to be in a fur coat. It may be interesting, to tell you gentlemen in a full length coat there are 7 miles of thread used.

Senator MILLIKIN. It is one of those high write-up items, too, is it not?

Senator KERR. I know it is, but I think if the gentleman went down to one of these furriers he would find that coat that he has indicated he thinks is selling for about $2,500 would be priced at least twice that.

Mr. FRANCIS. I doubt it, sir—I just came from a meeting with some manufacturers on this situation. We have always said, as producers, that their mark-up may be too high, but that is normally a situation or a feeling that appears between producers and retailers. We have it in all agricultural products where the farmer is not getting his share of the amount of profits.

Senator KERR. I think you are right about that.

Mr. FRANCIS. But on the other hand, when you listen to their problems, the style changes, and so forth, they put a large investment into the purchasing of a mink coat, if the style happens to change, their risk is quite high.

Another thing that I have always said, you cannot get a lady to buy a mink coat anywhere but in an exclusive store where you have marble walls and heavy plush carpets and big plate-glass windows. The atmosphere required to sell this article is a tremendous overhead.

It is just the idea of society, I guess. that you cannot buy this type of a product in a normal-appearing store where the overhead is not very high, so they have their problems.

Senator KERR. I would say that you are underestimating the acumen and the discernment of the average American woman who would like to buy a mink coat. She does not wear it where she buys it.

Mr. FRANCIS. That may be true, Senator.

Senator KERR. I am not trying to cross you up. I am just trying to get information. I think the trouble with the fur-coat business is that no matter what the grower gets for the pelt, by the time it gets to the wearer it has usually been increased in cost to such astronomical proportions that I think they are pricing themselves out of business.

Mr. FRANCIS. It is quite true that we can become so greedy in our efforts for profit that we price a product out of business, and I think that that may be true with a lot of other articles and other businesses that would try to take all the business will bear and get all the profits that the trade will bear.

We felt, as I say and I repeat again, as farmers that we are not getting our proportionate share of the profits. However——

Senator KERR. I do not think you are getting your proportionate share of what the consumer, the user pays for what is made out of your product here. I look here at the prices of pelts, at the highest peak in 1946 they were $28 a pelt. You must know a lot about the business, and I do not claim to know anything, but I was under the impression it took more than 60 of those ranch mink to make a full length fur coat.

Mr. FRANCIS. It took more?

Senator KERR. Yes.

Mr. FRANCIS. Well, as I say, it depends on the size of the coat.

Senator KERR. I am talking about a full-length coat.

Mr. FRANCIS. It depends on the size of the mink, too. As I say, the average is usually conceded to be around 60, maybe 65, but the point in our saying——

Senator KERR. According to that at the highest point there was only $600 difference. As of now the pelt is worth $17.56 and then it was $28.43. That is about $11. That would be $700 difference in the price of the coat so far as the material was concerned.

Yet my guess is if you went down to these fur places and looked at their mink coats, you would find that they are now priced at at least $1,000 higher than they were in 1946.

Mr. FRANCIS. That may be possible. It depends on the stores and location and understanding of the quality of the garment. There is a lot of variety and leeway in the quality of the article, but getting back to your point, I would like to say this: It is natural for the manufacturers and brokers to want to purchase the raw fur as cheap as possible, and, by increasing the imports, it is adding to our problem.

Senator KERR. I do not know what part of this $104,000,000 that came in in 1950 was mink.

Mr. FRANCIS. On the schedule there you can see, sir, it shows you in the fifth column the importations of mink, how they have increased from 1946 from 763,000 up to 1,350,000 pelts, in 1950.

Senator KERR. Is that the number of——

Mr. FRANCIS. Mink pelts.

Senator KERR. 1,350,000. We do not know what they cost, do we?

Mr. FRANCIS. No, it is quite impossible to find out, for this reason: That they are bound on the free list. We have no neutral source to get any true value of what they are shipped into this country at.

Senator KERR. The total domestic imports there for 1950 would be 300,000 as compared to 470,000 in 1939, and although the price is only $380 more for the fur that goes into a coat in 1950, I will bet you will find that the retail cost of that coat is $3,000 more than it was in 1940.

Mr. FRANCIS. That is possible in some instances, Senator.

Senator KERR. What I think is, as long as the price of that finished product keeps going up in such astronomical proportions, I do not see how there is ever any real basic program that is going to take care of the fellow that produces those pelts.

Mr. FRANCIS. Only from this angle, that as long as you have an import situation of raw pelts to exist that depresses the price to the domestic producer for his pelts because of such competition, that allows the manufacturer and the retailer larger profits and cuts down the profits of your producer.

Senator KERR. Apparently your profit is eliminated. Apparently you have not got any profit. According to this chart you operated at a loss for the last 4 years.

Mr. FRANCIS. That is what we have been stating, sir, and what Senator Millikin has brought out. We have had to go borrow money from the Government to keep operating.

The CHAIRMAN. Well, suppose we go ahead. I do not think Senator Kerr is going to get any cut price on furs here.

Senator KERR. I might, if I found out where to buy some of these pelts cheap enough.

Senator MILLIKIN. Mr. Chairman, may I ask this question. The fur retailing field is a highly competitive field, is it not?

Mr. FRANCIS. That is true, Senator.

Senator MILLIKIN. I believe you would probably find a pretty sizable disparity between buying a fur coat at, let us say these expensive places, and buying it say at Macy's or Gimbel's. There you would probably make a substantial saving in this same type of fur coat, but I think you developed the point that there are many buyers that want the swank and are willing to pay for the swank, and there is no way in God's world that the fur farmer can correct that, is there?

Mr. FRANCIS. Not to our knowledge, no.

Senator MILLIKIN. If you knew any way to do it, you might get at that problem is that right?

Mr. FRANCIS. That is correct, sir.

Senator MILLIKIN. And a vast amount of fur is also used in coats short of the full-length fur coat. It is in the trimming field, is it not?

Mr. FRANCIS. That is true.

Senator MILLIKIN. And there again the fur producer is not in position to control the idiosyncrasies and the buying habits of the public, is he?

Mr. FRANCIS. No, he is not.

Senator MILLIKIN. There is nothing he can do about that?

Mr. FRANCIS. Nothing we can do about that.

Senator MILLIKIN. But he does come under the primary competition of the raw fur that comes in from foreign countries, is that correct?

Mr. FRANCIS. Very correct.

Senator MILLIKIN. And that is what you are bellyaching about, is that not correct?

Mr. FRANCIS. That is true.

The CHAIRMAN. All right, Mr. Francis.

Mr. FRANCIS. It should be unnecessary to produce more evidence that serious injury has occurred to our industry, than to point out that Congress has had to pass legislation to provide millions of dollars in emergency Government loans to fur farmers to keep from wiping out entirely our foundation breeding stock.

After 6 years of trailing from door to door of Government agencies in hopes of securing relief, we are groggy with excuses and indifferences. The State Department says our trouble is not imports—but high excise taxes. The Treasury Department says its not high taxes—but cost of production. The Department of Agriculture says it's not high cost of production—but both imports and high excise taxes.

We don't profess to lay at the door of the Trade Agreement Act the entire blame for our precarious situation, but the inadequacies of the present law and the indifference on the part of its administrators to recognize that the tremendous increase of imports is a primary cause, and has increased the burden placed on our industry by other actions of the Government to unbearable limits.

For example, while imports were increasing at an enormous rate, Congress saddled our industry with a high excise tax rate, which depressed our retail market severely as shown by the above table. Therefore, the fur producer has been caught in a squeeze between increasing of imports and decreasing market. The result is obvious for we cannot continue in business with both the laws of supply and demand working against us.

We have been caught between a cross-fire of policies of the Treasury and the State Department. Fortunately, in this case, both the problem of imports and taxes come within the jurisdictional powers of this committee. In all sincerity, we believe our industry is entitled to know which of these two burdens the members of this committee feel we should be relieved of to save our industry from liquidation. Is it to the best interests of our country to lower the present excise tax on furs so as to expand our market, which means losing needed tax revenue, or place some reasonable limitations on imports of furs, a large percentage of which come from Communist-controlled countries?

Unless we are badly mistaken, we have felt that Congress would not want to reduce taxes in order to keep the supply of dollars going into Communist countries. So, from both the point of view of our industry and our national security, we maintain that the sound approach to our problem would be to place some reasonable limitation on the imports of furs. But, in our efforts to carry out this logical approach, we have been stopped cold by the State Department who fails to recognize our over-all problem and insist, as the Secretary of State publicly stated before this committee last week, "Are the fur growers in the United States being injured because of our trade agreements? Our answer is,' No, they are not'." Thus, the door has been closed and locked against our securing relief through the medium of the Trade Agreements Act.

For your information, we have also endeavored to use the provisions of the Antidumping Act as recommended by the Secretary of State as a possible solution. But officials of the Treasury Department concede that in our case it cannot be invoked because in the case of Communist-controlled countries, they could not secure the necessary information from behind the iron curtain to support their action, so this avenue of approach is out.

Senator MILLIKIN. You have tried Agriculture, you have tried the State Department, you have tried some other agency which you mentioned.

Mr. FRANCIS. The Tariff Commission.

Senator MILLIKIN. Yes. Have you tried the stevedores? I see where they took some action against crabmeat and some other Communist products.

Mr. FRANCIS. Sir, we have not. I understand just from the press that the reason they were able to put that embargo on crabmeat was they received their information through English sources, but whether they could get the information now through that same source I do not know, apparently that has been denied. We approached that avenue and we have been told that was not possible.

Therefore, it has been necessary that we appeal to Congress for relief. Though we have not been successful thus far, we want to express our appreciation to members of this committee for the support and interest you have given to our problem and hope that you will not lose faith in our effort at the appropriate time to request Congress to reconsider our problem and provide us with a reasonable measure of relief necessary to save our small industry.

Now, in directing your attention to the broader aspect of the Trade Agreement Act, there are few pieces of legislation that will come before this Congress that should have greater significance upon the future security of our country than the Trade Agreements Act. It ought to be made the backbone of our foreign economic policy which, in turn, must be an integrated and supporting part of our over-all foreign policy, geared in principal and action toward implementing our military and political programs both at home and abroad. The time is past due when we must weigh carefully every means at our disposal to fight communism on the economic front as well as on the battlefront. We can no longer continue to play chess with our trade policies at the trade conference tables, while we are fighting for keeps on the battlefront. We must see that we get the materials and products we need and prevent our enemy from getting what they need.

In simple terms, we should stop trading with those countries who by their own actions have proven to be our enemies. Therefore, as a first step, I recommend that we clearly set forth in principal, by law, as a part of our fundamental economic foreign policy, that no trade relations will be carried on with any aggressor nation, nor after sufficient warning, only limited trade relations shall be carried on with any nation who becomes an accessory to the aggressive acts of another nation by supporting them politically, militarily, or economically.

Senator MILLIKIN. The effect of these trade relations is to supply them with dollar exchange which they then use to buy instruments of death for our own servicemen, is that not correct?

Mr. FRANCIS. That is correct, Senator. I want to point out what has taken place in the fur industry in a moment or two.

Second, we must keep our trade relations fluid with friendly nations, not be bound to long pacts or agreements. For, we neither know the day nor the week when their resources may be turned against us.

Neither do we know from hour to hour what means we must employ at home or abroad on the economic front to meet whatsoever emergency that may arise. I mean, this should be a primary policy, not something wired on as an escape hatch to the end of some agreement.

If we are to coordinate our economic flank with our military and political flanks, we cannot anchor our trade policies to long tenures of commitments.

During the periods of national emergency when by means of Government we must force the mobilization of our own economic resources to perform a given essential task, our domestic industries are entitled to greater protection—not less.

It should be evident to all of us that our country's tremendous effort to bring about and maintain peace has made our economy more vulnerable to foreign competition. Inflationary prices, which mean high cost of production, must be maintained if we are to keep financially solvent. This makes it more difficult for us to compete with our goods in the world market, the greatest impact falling on nonessential industries who can't survive for long under the crossfire of the present policy of forced economy and free trade.

To this end, it is vitally essential that a third fundamental organ of our foreign economic policy be written into law wherein during periods of national emergency such measures as may be necessary shall be used to keep our domestic markets from falling below cost-of-production level. Which, in short, is protection for existence—not protection for profits.

Therefore, I believe we should not extend, without renovation, our Reciprocal Trade Act, and recommend that the above proposals be made a part thereto.

I hope the statements I am now about to make will not be misconstrued for I agree with the statesman who said, "If the present tries to sit in judgment of the past, it will lose the future." But, I cannot escape the position of having to criticize in order to be constructive.

I call attention to the fact that the basic underlying principles of our present Trade Agreements Act is of 1930 model—born in an era when all nations were busily hammering their swords into plowshares. Our most-favored-nations treatment took root and grew well while our world was living in an environment of the good neighbor policy, which is substantially different from the present, iron curtain policy.

We must realize that the political, social, and economic environment of the world has changed. For over half the time since the Trade Agreements Act has been in force, our economic resources have had to be dedicated to the task of defending our country against aggression. Even under these conditions, we have not only been good neighbors, but generous neighbors. I doubt if any of us would expect such kindly treatment had the shoe been on the other foot. Yet, if our industry is any criterion of the general trade picture as it appears today, even in spite of our generosity, there are more trade barriers in existence today than ever before. I don't believe that this condition is wholly a result of the Trade Agreements Act, but I do contend it has come about primarily as a result of the negligence on our part to tailor it to fit the needs of today.

Senator MILLIKIN. The very able witness must be aware of the fact that when we talk of freedom in international trade, we are talking nonsense. How can you have freedom in international trade when international trade, except for ourselves, is largely controlled by Socialist countries, totalitarian state-controlled countries, by bilateral agreements, by import quotas, export quotas, monetary licensing schemes.

Are we not in fact in the very antithesis of a world of free trade? We are in a world of unfree trade, is that not correct?

Mr. FRANCIS. That is correct. Your statement is correct, Senator, and I think it is time that Congress should define it clearly for the public, because the public has a misunderstanding of the whole problem of this trade relationship and is confused.

Senator MILLIKIN. I was just expressing a little phobia of my own that has to do with the use of words. I am sick and tired of these misleading words. They talk about the world of freedom, the world of free governments. Show me one on the economic side except partially the United States.

Senator KERR. Mr. Witness, you and the distinguished Senator have got me a little confused. Do I understand you to take the position that we just should not have any trade? Is that the position you take?

Mr. FRANCIS. My position is we should have trade at a level which will protect our own industry at cost of production.

Senator KERR. How are you going to have trade unless you buy when you sell?

Mr. FRANCIS. I do not think you can have trade unless you buy when you sell, but I do maintain under the formula I propose you can have trade and buy and sell.

I state this: That under the formula of the Reciprocal Trade Agreements Act you are operating contrary to your point 4 program, you are giving encouragement to foreign countries to keep slave labor, keep the costs of their production down, keep the cost of wages down in their country in order that they can better compete with this country and make profits in shipping their goods into this country.

Senator KERR. Should we just tell them that we will not buy it unless they increase the price?

Mr. FRANCIS. I do not think that is necessary to tell them that we will not buy unless they increase the price. I think they will import here and meet our cost of production in this country if we make known what our policy is. Naturally if we go about a program of

allowing them to ship their goods into here, then turn around and tax our own industries and under a point 4 program to pass out donations to them to help them to develop their industries in their country, it is proof of the contrary principle that exists between the point 4 program, and the Reciprocal Trade Act.

The Reciprocal Trade Act in my opinion in regard to foreign countries has a tendency to weaken the structure of their countries by keeping their cost of production low so they can compete with this country.

Senator KERR. You think then if we are going to trade with them we ought to make them raise their price?

Mr. FRANCIS. I do not think that we should tell any country what they should do. I think that has been our trouble up to now, Senator. We are telling too many countries what to do and not looking after our own interests at home.

Senator MILLIKIN. The highest economic level in the world, the highest national production in the world is in the United States of America, is that not correct?

Mr. FRANCIS. That is true.

Senator MILLIKIN. Is it not true that in this country it is a fundamental part of our economy not to have unfair competition. We have competition but among people who are paying roughly the same wages to produce the same product, is that not correct?

Mr. FRANCIS. That is correct, Senator. We have set up the Federal Trade Commission.

Senator MILLIKIN. We have got all kinds of laws intended to bring about that result.

Mr. FRANCIS. That is true.

Senator MILLIKIN. I suggest that perhaps roughly it has been brought about. The point that I am trying to make is that so far as the rest of the world is concerned as has been emphasized by several witnesses here, you will not better international trade by putting it on a cut-throat basis. It has been pointed out here repeatedly that in this country for example we follow directly the opposite policy and we have the highest economy in the world.

Mr. FRANCIS. That is correct.

The CHAIRMAN. All right, Mr. Francis.

Mr. FRANCIS. This act which we now propose to extend was designed to relieve an economic depression. Its primary objective and purposes were, as set forth in the original act of 1934 to serve—

> 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.

There is not the remotest resemblance between the emergency then and now. Yet, we insist, by extending this act without change, that the same medicine will cure every kind of economic disease.

During the past 10 years, the world has either been in a hot or cold war. Allies of yesterday are enemies today. Under these conditions, I do not condemn or consider unfair those nations who have felt it necessary, for their survival, to use such measures as they could employ to protect their economy. I think they just used good common sense, which for some reason or another, we seem to shy from. However, there are many instances where it has shown up around the corner.

While we vigorously proclaim the most-favored-nations clause to be a fundamental part of our trade-agreements program where we agree to treat all countries alike, by our own voluntary actions, under the Marshall-aid program, we acted contrary thereto and set up a preferential trade program with those countries.

We are opening up another back door with our point 4 program. It is not so inconceivable that we may have to do the same thing with our North Atlantic Pact countries. How about section 22 of the Agriculture Adjustment Act, and the recent amendment thereto which we passed last year? I doubt if many of us understand it, or know how to apply it, but it is there. I believe our reciprocal trade program is shot through with more loopholes than our tax program. To this end, I believe we should bring it more in line with what we, as a nation, are willing to support as a trade policy today.

We are quick to condemn others for aggression on the military front, while we have laid ourselves open for criticism because of the aggressive attitude we have taken at the trade conference table.

Does it not appear in the minds of this committee that there is some justification for enemy countries, or all countries for that matter, to be critical, or at least 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 sustains the fact that mutual trade concessions have not been the determining factor in lowering trade barriers or signing agreements, but the influence and pressures of our generous monetary assistance on one hand, and our military strength on the other?

Only last year Congress voted $600,000,000 to be spent under the European Recovery Act for the express purpose of eliminating trade barriers in Europe. When we add up the untold billions that we have donated to other countries, I believe the American taxpayer can honestly say he has bought and paid for every trade concession we ever got. The fact is, that what free trade we have today is not free—we have had to buy and pay for it.

No matter how good our intentions have been in carrying out the Trade Agreements Act, we must recognize the position of those with whom we deal. Weakened countries cannot escape being influenced in their trade negotiations by the pressure of our monetary and military programs. To this extent, I feel the recent tradd conferences have implemented the position that unfriendly countries have taken in that we are pressuring countries into accepting our policies and way of life by holding over their heads a pot-of-gold in one hand, and a gun in the other. Therefore, I doubt under present conditions, if the trade agreements program is making any substantial contribution to peace, while on the other hand, some of its policies are weakening our security.

How can we, in good faith, say we have been successful at the trade conference table when we have bound ourselves under agreement to give the same treatment and concessions to communistic-controlled countries? Should we not seriously consider the possibility that such inconsistency under present state of affairs may have to be paid for by the blood of our country?

At a time when we are drafting millions of boys to give their lives, if necessary, to fight the evil aggression of communism, under the most-favored-nations clause are we not binding ourselves so that we will

export and import goods and products under common and like treatment to all nations, including communistic-controlled countries?

I doubt if many of our conscientious, consistent supporters of our present Trade Agreements Act have given thought to this angle of our Trade Act. For instance, I am sure that the segment of our industries which has done exceedingly well in the export-import business, especially those who have made substantial profits trading with communistic-dominated countries, who naturally have been staunch supporters of the Trade Agreements Act, must weigh the thought that they have fed the hand that now wields the sword against us.

Another example of how circumstances can change our point of view: In 1949, when hearings were held on this same legislation before this same committee, labor as represented by the American Federation of Labor and the Congress of Industrial Organizations appeared in favor of extension of the act without amendments, 1 year later, in opposition to the program they had supported, they carried out one of the most extensive boycotts on imported goods that this Nation has experienced since the Boston Tea Party. It is evident that the supporters of the present law which we now propose to extend cannot stomach the menu they ordered.

For your information, I am referring to the embargo against the importation of Russian furs and crab meat into our country wherein the longshoremen refused to unload them. This brought a rebuke from the President that "longshoremen have no right to interfere in foreign policy of nations." For the benefit of you members of this committee who shortly will be asked to vote for legislation drafting 18-year-old boys into service, let me report this: During the last 5 years we have imported over a quarter billion dollars worth of furs from communistic-dominated countries, over 190 million of which have come directly from Russia.

In face of the longshoremen's embargo during the year of 1950, we imported $20 million worth of furs from Russia and over $6 million from China; and, believe it or not, they are still coming in—paid for in dollars, used for a purpose that, by now, should be well known to every citizen.

Every agency of government that has anything to do with the administration of the Trade Agreements Act is familiar with these facts, and their direct bearing on our security. Now, the best answer to why something has not been done about it. The answer to our pleas to place some restrictions on the importation of these products is summed up by stating that such a procedure would be inconsistent with established American foreign economic policy. All I care to say further on the matter at this time is that when our policies are outmoded to where they do not serve the best interests of our people, we had better change our policies, not gamble away the blood of our country.

In making the above statements, I am not unmindful of provisions and clauses set forth by Executive order of the President by virtue of authority of the Tariff Act of 1930 and the Trade Agreements Act of 1934, as amended, which are generally referred to as safeguards. My general observation is, if we follow the performance of the Trade Agreements Act during the past 10 years, the safeguards have turned out to be our primary trade policies and the primary policies have been turned into sideshows. When the exceptions become more im-

portant than the rule, we should change the rule. With our Nation in a state of national emergency we should buckle down to the task of carrying out a defense program for the protection of our own lives and security. In my opinion, under such conditions the Trade Agreements Act is a very weak foreign economic program. Examine the law and I am sure you will agree that the only protection, or defense, for American industry is by Executive order, not by action of Congress.

It would seem to be basically unfair in principle to throw open the front door of our trade agreements program to foreign industries while our own industries are confined to using the fire escape, and yet the escape clause is the only fundamental protection left for domestic industry since we have lost our basic asset, which is bargaining power at the trade conference table. Evidence of this is substantiated in the fact that our bargainers only last year were proposing that we set up new instruments such as the International Trades Organization, which I understand now has been discarded. Furthermore, as the escape clause can only apply to injury through agreements, where can industries go to get protection from injuries outside of agreements? Such provisions as the Antidumping Act are as obsolete in protecting American industry as bows and arrows would be in protecting American soldiers.

In times such as these, we should think and act in terms of how much we can do to protect and help our own people and industries, not put them to the test of how much foreign competition they can endure by passing legislation designed in purpose to bargain away what little protection they have left.

I am not unmindful of the consumer and our inflationary problem. I do not propose that industry be protected above its cost of production. Neither do I believe the American consumer wants to buy foreign products below cost of our production. However, both are entitled to know by action of Congress just what our foreign economic policy is.

In conclusion, whatever our opinions are as to how successful or unsuccessful our foreign economic program has been, we can't go back —we must go forward. We must live with the problems of today and endeavor to interpret the challenges of tomorrow so that we may be parepared to meet them. There should be little differences among us as to what our primary responsibilities are—we can no longer be neutral economically, and not neutral politically or militarily. If our Nation must stand as a cornerstone against communistic aggression, we should put a backbone in our foreign economic policy. To this end, I recommend for your consideration that the Congress of the United States, as representatives of our people, make such amendments to H. R. 1612, incorporating therein, spelling out in simple understandable terms, what our foreign economic trade policies are— first, in relation to aggressor nations; second, in relation to nonaggressor nations, and third, what protection and security we shall provide for our own industries. Fourth, as a means of precaution wherein we can keep our foreign economic policy current and in line with our military and political foreign policies, 2-year extension would be advisable rather than 3, as now proposed.

The CHAIRMAN. Any questions?

Senator MILLIKIN. Do you favor the bill that is before us?

Mr. FRANCIS. I favor extension of the act, Senator, but with amendments. I think they could be strengthened.

Senator MILLIKIN. Along the general line of the House bill?

Mr. FRANCIS. Pretty well on the general line of the House bill.

Senator MILLIKIN. Let me ask you this: There has been some confusion on the subject, to which I probably contributed. Will you tell us by what trade mechanism these furs come in here free of duty?

Mr. FRANCIS. I will give you what information I have. It might not be sufficient, but at the Geneva Conference they bound all furs except one duty-free. I do not know what countries they entered into agreements with; however, I do know that they did not enter into an agreement with Russia, and she is one of the primary importers and the largest importer of 8 of our 32 different kinds of furs.

The CHAIRMAN. Then you are not in a position to say with which supplying country they have made the treaties—made the agreements which through the operation of the most-favored-nations clause brings a lot of these furs in here from Communist Russia?

Mr. FRANCIS. No; I am not in a position to say exactly what countries, sir.

The CHAIRMAN. Do you think the House amendment relating to Communist-controlled countries would protect your industry, as it is in the House?

Mr. FRANCIS. No; not entirely, Senator. I think it is a step forward and I think it can be improved upon, but the clause that is in there now, as far as our own industry is concerned, would not solve our problem.

The CHAIRMAN. It would not solve your problem?

Mr. FRANCIS. No.

The CHAIRMAN. I think you are right about that. Have you given any thought as to how it could be helped?

Mr. FRANCIS. I have given some study to it, yes; and we expect at some time in the future to propose some legislation.

The CHAIRMAN. I wish you would come up to this committee before we finish our hearings with some suggestion on that amendment. Your industry has been one that has pointed up and pointed out the particular trouble against which you complain, and I do not think the House amendment will reach your case.

Mr. FRANCIS. We hardly think so, and we will be very happy to prepare something and submit it to the committee.

The CHAIRMAN. All right; thank you very much, Mr. Francis.

Mr. Anthony, will you come forward, please? You may have a seat. Identify yourself for the record and proceed with your statement.

STATEMENT OF RICHARD H. ANTHONY, SECRETARY, THE AMERICAN TARIFF LEAGUE, INC.

Mr. ANTHONY. Thank you, Mr. Chairman. My name is Richard H. Anthony and I am secretary of the American Tariff League, with headquarters in New York City.

This statement is addressed to H. R. 1612, as it comes amended from the House, and offers specific recommendations thereon, particularly language changes in section 7, in the interest of perfecting the escape clause provisions.

H. R. 1612 was introduced into the House as a simple 3 year extension of the President's power to continue modifying tariffs by entering into trade agreements, unaccompanied by any prior or post-negotiation safeguards in which the domestic producer, who is immediately or potentially affected, could have confidence.

In his testimony before the House Ways and Means Committee, League President Rose, who is at present abroad and so cannot testify here today, declared that the apprehensions of domestic producers were reasonable because, as he said:

> The business recession in the first half of 1949 opened the eyes of Americans to what can happen with tariff protection reduced or removed by the trade agreements.

He cited evidence that the trade-agreements program had never produced the benefits claimed for it by its sponsors.

Mr. Rose reiterated the league's long-term recommendation that, instead of the present trade agreements system, a truly flexible tariff system be established that will put the United States—

> in a position to protect its own citizens and economy against sudden and drastic changes in the factors affecting world trade and our productivity.

Recognizing that Congress might not find this a convenient time to legislate any fundamental changes into the tariff program, and that the only likely immediate step would be another temporary extension of the President's power to enter into trade agreements, the league, through Mr. Rose, made some specific recommendations pertinent to such an extension.

The league recommended that Congress require the Tariff Commission to act as a commission in the preliminary determinations leading to the negotiation of trade agreements. At present, Commissioners in their personal capacity are members of the interdepartmental groups which make preliminary determinations and ultimately negotiate the concessions. The peril point amendment, approved by the House, requires the Commission to act as such in setting peril points on proposed concessions. The escape clause amendment also requires Commission determinations.

The league recommended that Congress strengthen the Tariff Commission. We recognize that such a request should, more properly, be made before the Appropriations Committees of Congress. However the Finance Committee ought to be advised, we believe, that the Tariff Commission is at present being stripped of skilled personnel, and unless this trend is reversed, it may not be able to perform the additional tasks assigned it, if its recognized high research and investigatory standards are to be maintained.

Senator MILLIKIN. Do you know whether the Tariff Commission has made any specific requests to the Appropriations Committee to protect its functions against shortage of necessary personnel?

Mr. ANTHONY. That would have been, I suppose, taken up with the Budget Bureau. I have seen nothing publicly in that respect.

The league recommended that Congress should legislate the criteria and procedures in trade agreement escape clauses, and make mandatory the investigation of escape applications and Presidential proclamation of Tariff Commission findings. The House-approved escape clause amendment, appearing as section 7 of H. R. 1612, meets all these recommendations, in essence, except the one requiring mandatory proclamation of findings.

The league recommended that Congress require the executive branch, in the conduct of its foreign-trade program, to consult with all American industry, labor, and agriculture affected thereby. We mean that public hearings prior to trade agreement negotiation are not enough. Closer cooperation is needed. Undoubtedly it is difficult to write such a requirement into an act. By its insistence upon mandatory investigations of escape applications, and of peril point determinations, the House has pushed the Government and the producer closer together and it is to be hoped that mutual understanding and appreciation of points of view will develop.

In furtherance and in recognition of this cooperation, the league would like to see the Labor Department added to those departments, specifically listed in section 3 (c) of H. R. 1612, from which the President must seek information and advice in negotiating trade agreements.

The league recommended that Congress withdraw the restrictions, which were written into the original Trade Agreements Act, against the invocation of rate and classification determination procedures under sections 336 and 516 (b) of the Tariff Act of 1930, when the item at issue is subject of a trade agreement. The House amendments do not incorporate this recommendation.

By the amendments which the House wrote into H. R. 1612, Congress manifests its concern as to the effects of the trade-agreements program on the well-being of American producers, and is determined that genuine safeguards for them are inserted in the basic act. So long as the Trade Agreements Act is the law of the land such safeguards are essential, particularly because, with the tariff level being constantly reduced due to duty reductions, devaluation of foreign currencies, and price inflation, the risk of injuring domestic producers ever increases.

In writing safeguards into the bill, the House avoided making mandatory any particular action on the part of the President.

Senator MILLIKIN. May I ask the witness whether his organization has ever made any study of the effect of the devaluation?

Mr. ANTHONY. We have never made any particular study on that. It is a very difficult subject to determine. It would have to be an item-by-item study. We would have to get that from governmental sources.

Senator MILLIKIN. Has anyone, so far as you know, in the Government, made a comprehensive study of that?

Mr. ANTHONY. I do not know of any such studies.

Within the limits of delegated authority to proclaim rates of duty negotiated in trade agreements, the President is still free to exercise his own judgment. However, Congress is mindful that tariff setting was specifically entrusted to it by the Constitution, and the House has reincorporated the Senate provision of the 1948 "peril point" amendment which requires the President to notify Congress whenever he goes beyond duty reductions that the Tariff Commission considers safe.

The league has represented American producers for 65 years. We believe we are performing our proper function by examining the language of H. R. 1612, in the light of our specialized experience in tariff matters, and by advising your committee wherein we believe

the language can be improved, so as to avoid any possible ambiguities and to make the act administratively most effective.

The league suggestions are confined to section 7, the escape clause provision, because it is the only one of the four amendments adopted by the House that is likely to be of immediate assistance to the domestic producer. The other three amendments relate to future agreements or problematical situations. There are escape clause applications now pending. With 95 percent or more of our dutiable items subject to trade agreements, recourse to the escape clause is virtually the only avenue of redress for American producers of tariff-affected items, whenever injury due to imports occurs or threatens.

The House did not insert in H. R. 1612, as the league recommended, a provision requiring that every trade agreement to which the United States is a party, shall contain an escape clause.

Instead, there was inserted, as section 7 (a), a paragraph which attempts to establish the mutual rights of countries party to trade agreements. The inference can be drawn therefrom that the United States reserves the right to take escape action under the circumstances set forth in the paragraph, in respect to any trade agreement, but it does not expressly say so. The language of section 7 (a), as adopted by the House, follows:

> If in the course of a trade agreement any product on which a concession has been granted is being imported into the territory of one of the contracting parties in such increased quantities or under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting parties 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 concession in whole or in part, to withdraw or modify the concession or to establish import quotas.

It is difficult to understand how it can be within the province of Congress to legislate the rights of countries other than the United States. It is the league's belief that Congress should confine the language of the bill, in this particular, to such reservation of rights by the United States as it deems wise, and leave it to the President to arrange, with other countries, the procedures which will assure them the reciprocal rights to which they are unquestionably entitled. The league therefore recommends that the language of section 7 (a) be changed to some such phraseology as the following:

> If any product, on which a concession has been granted under a trade agreement to which the United States is a party, is being imported into the territory of the United States in such relatively increased quantities or under such conditions as to cause or threaten serious injury to domestic producers therein of a like or directly competive product, the United States 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 withdraw or modify the concession, in whole or in part, or to establish import quotas on such imported product.

Senator MILLIKIN. Mr. Chairman, without arguing the matter at all or without any indication of views on my part, I wish to ask the witness: Why do you leave that permissive rather than mandatory, under your suggested language? The language is "the United States shall feel free." Well, what of it; what happens from that?

Mr. ANTHONY. We have no objection to it being mandatory.

Senator MILLIKIN. Was it your mature conclusion that it should be permissive?

Mr. ANTHONY. No.

Senator MILLIKIN. If it is permissive, may it not be argued that you simply have a repetition of past practices?

Mr. ANTHONY. I had not thought that the words "shall be free" made any difference, only that the reservation would be set up at that particular point, and that the following subsection would contain the mandatory language so far as the domestic application of it is concerned, but I can see that it might be better to make it mandatory in the reservation, writing in the language that you suggest.

Section 7 (b) apparently consists of three paragraphs governing related procedures. In the interest of certainty, it is suggested that they be consolidated into one paragraph designated "(b)."

The third paragraph—and that is the one that starts at page 6, line 23—as now set forth, provides that the Tariff Commission, if it makes a finding of injury, shall make a recommendation to the President of one or another form of remedy. This provision follows the procedures currently established under Executive order. In neither the order nor the House amendment is the Commission required to make public its report. In the single instance of a successful escape application the Commission did publish its finding. We believe the law should be explicit on this point, and that a requirement should be written into H. R. 1612.

The President, however, is neither required to follow the specific recommendation of the Commission, nor to take any action at all. This freedom of the President to act as his judgment dictates matches the provision in the peril-point amendment, under which, in section 3 (a) of H. R. 1612, the Tariff Commission reports the peril points to the President, but he is not forbidden to grant concessions beyond the maximums set forth in such report. The peril-point amendment, however, goes one step further than the escape-clause amendment and, in section 5 (a), requires the President to transmit to Congress a message stating his reasons whenever he exceeds the Commission recommendations.

The league believes that so long as the President is permitted to act otherwise than according to the recommendations of the Commission, the requirement that he report to Congress his reasons for so acting, which is included in the proposed peril-point procedures, should also be inserted in the escape-clause procedure. The interest of uniformity recommends it. The reason for the inclusion of the requirement in the peril-point procedure is understood to be that Congress wishes to keep itself informed as to how its delegated powers are being administered. The same reason, the league believes, ought to prompt the same requirement in the escape-clause procedure.

To effect the changes, just proposed, two final sentences should be added to what is now the second paragraph following section 7 (b), on page 7, line 5, after the words "such injury," and might contain such phraseology as the following:

> The Commission shall make public its recommendations. Should the President act otherwise than in accordance with the specific recommendations of the Commission, he shall transmit a message to Congress stating his reasons for so doing.

Section 7 (c) provides that whenever the Tariff Commission, after investigating an escape-clause application, denies it, the Commission must "make a finding in support of its denial." However, the language does not expressly state that such finding is to be made public, as it should be, and as the sponsor of the amendment undoubtedly

intended it to be. The change is easily enough accomplished by adding, on page 7, line 8, the word "public" after the word "make." The league suggests this change be made.

However, such a change creates a difficulty in connection with the second sentence of section 7 (c), page 7, line 10, beginning there, which provides that the Commission's finding include a determination of the peril point for the item involved. Making public such a finding, of course, would, in some cases, reveal to other countries the further extent to which the United States might have gone in granting the concession involved, and hence might lead to ill feeling and possible retaliation.

It was for identical reasons that the sponsor of the peril-point amendment in the House changed the language in the pending bill from what it had been in the 1948 version, so that the Commission now would be required to report to the Ways and Means and Finance Committees only the peril points for such items on which the President had already advised Congress that the peril points had been exceeded. The language involved appears on page 5 in lines 7, 8, and 9. In the 1948 bill the Commission had been required to furnish to the congressional committees the peril points on all items involved in any agreement in which the President had reported that some Commission recommendations had been exceeded.

In relation to the escape-clause procedures, the difficulties raised in making public the finding provided for in section 7 (c) can be resolved by eliminating the peril-point requirement in that particular subsection, that is, by eliminating the second sentence of section 7 (c), on page 7, lines 10, 11, and 12. If the items are under consideration for future trade-agreement negotiation, peril points must be determined for them under the section 5 procedures. If they are not under consideration a peril-point determination would not have much pertinence. It seems safe, therefore, to eliminate this particular peril-point requirement from section 7 (c) of the bill.

The paragraph on page 7, lines 13 through 18, contains new criteria regarding injury, which ought to apply to the Tariff Commission procedures under subsection (b) of sec. 7, as well as to subsection (c) thereof. However, the placing of this paragraph immediately following subsection (c), and without any designation of its own, might lead to a construction that its criteria applied only to subsection (c) procedures.

You will note that in line 13 the language is "in arriving at a determination in the foregoing procedure," which comes immediately after the subsection (c) and hence might be construed to apply only to it, whereas it should, in our opinion, apply to all the procedures in section 7 beginning with subsection (b) on page 6 at line 8.

The league recommends that the paragraph in question, page 7, lines 13 through 18, be designated as subsection (d) of section 7, and that for further clarity, the language of line 13 be changed to read as follows:

> In arriving at a determination in the foregoing procedures under subsections (b) and (c) * * *

and so forth.

As to the criteria concerned, it is the league's view that they should not, of themselves, be the sole determinants of injury, to the exclusion

of other considerations. The league recognizes the difficulty in trying to devise any all-inclusive definition of injury. It is our belief that the purpose of this amendment is not to define injury or to limit the Tariff Commission in its consideration of elements involved in actual or threatened injury, but rather to furnish a yardstick to guide the Commission into inquiries broader than those provided now under Executive order.

As said at the beginning, this statement is addressed solely to the pending bill.

Senator MILLIKIN. Mr. Chairman, may I ask the witness this: The point is to determine whether imports are having a substantially injurious effect, is that not the point?

Mr. ANTHONY. That is right, Senator.

Senator MILLIKIN. Why should there be any limitation of categories that falls short of all of the possible causes of that kind of injury?

Mr. ANTHONY. There should not be any limitations, and about all you can do is to give them guides to show how to extend their inquiries.

Senator MILLIKIN. So that the specification of particular criteria should not be the sole criterion, is that correct?

Mr. ANTHONY. That is right, Senator.

Senator MILLIKIN. That if injury for any cause connected with the imports is substantial, relief should be given?

Mr. ANTHONY. They all should be taken into consideration by the Commission and relief given.

Senator MILLIKIN. Thank you.

Mr. ANTHONY. The league is mindful of the expressed intent of the State Department to ask Congress to strengthen the Geneva General Agreement on Tariffs and Trade (GATT), and to pave the way for its definitive acceptance by the United States by the enactment of a customs simplification bill. The league is hopeful that the Finance Committee will say, in this respect, what it said in its report accompanying the 1949 extension bill, that is:

> In reporting this bill your committee would emphasize that its enactment is not intended to commit the Congress on questions raised by incorporation of general regulatory provisions in the multilateral trade agreement recently concluded at Geneva or on any other aspect of our foreign-trade program.

The league represents a large number of American producers, upon whom the tariff has a current or potential effect. We assure you that they will be heartened if Congress includes in the final bill safeguards along the lines of those already inserted. They can thereafter devote their energies exclusively to production in the interest of a strong America in this critical period, safe in the knowledge that Congress has their well-being at heart and has guaranteed them their day in court if they suffer, or are threatened with injury.

The CHAIRMAN. Any questions? Thank you very much.

Mr. ANTHONY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Thomas D. Rice. You may have a seat, Mr. Rice. Identify yourself for the record, please, sir.

STATEMENT OF THOMAS D. RICE, EXECUTIVE SECRETARY OF THE MASSACHUSETTS FISHERIES ASSOCIATION, INC., AND SECRETARY OF THE FEDERATED FISHING BOATS OF NEW ENGLAND AND NEW YORK, INC.

Mr. RICE. Mr. Chairman and gentlemen of the committee, my name is Thomas D. Rice. I appear before this committee as the executive secretary of the Massachusetts Fisheries Association, Inc., and the secretary of the Federated Fishing Boats of New England and New York, Inc. Both of these organizations embrace about 95 percent of all commercial fishery activities in the greater Boston area. It has been conservatively estimated that the value of the industry in Boston is about $60 million and is distributed in the following manner:

Fishing boats	$9, 000, 000
Raw products (average last 10 years)	14, 000, 000
Payroll (all employees)	15, 000, 000
Boat repairs	2, 000, 000
Plant equipment	8, 000, 000
Real estate	6, 000, 000
Plant maintenance and repair	5, 000, 000

Under the general category of "supplies needed in the daily conduct of business," the industry can account for an additional expenditure of $10 million in supplies and commodities. The industry furnishes employment for about 5,000 people between commercial fishery activities and allied lines. This vast sphere of commercial trade and employment hangs precariously in the balance because of inequities created by the present Trade Agreements Act, which has handed the American market to the exporter of fishery products without providing sufficient safeguards to protect the domestic producer and processor.

I wish to assure the committee that my industry fully realizes the importance of encouraging foreign trade and the economic necessity of international trade agreements. But it is our contention that in the course of negotiating these agreements due consideration should, and must, be given the domestic industry whose products are under scrutiny or study. Low foreign labor costs and foreign government subsidies enjoyed by a producer of goods to be exported to the United States should be of concern to the negotiating parties when discussing tariff rates applicable to the same commodity produced by an American industry.

Imports of fishery products have risen steadily since 1941, a year in which only 10,000,000 pounds of ground fish fillets were imported. As the years passed, the volume increased tremendously, culminating in the establishment of an all-time, record-breaking high in 1950 when 66,000,000 pounds of fillets found their way into American markets. The tonnage allowed to enter under the low rate of 1⅞ cents per pound has likewise been increased. In applying the provisions of paragraph 717 (B) of the Tariff Act of 1930 it has been determined that 29,239,000 pounds can be imported during 1951 at this ridiculously low rate; of course, an unlimited quantity may be imported at the 2½-cent rate.

Senator KERR. Is the 2½ cents per pound the rate fixed by the Tariff Act of 1930?

Mr. RICE. Yes, sir.

Senator KERR. The extent of concession that has been made is the reduction of the import fee from 2½ to 1⅞ cents?

Mr. RICE. That is on a basis of 15 percent. I go along and explain that.

Senator KERR. I understand, but in order that I may get it in my mind, Is that the extent of the concession that has been made?

Mr. RICE. That is right.

Senator KERR. Is it your desire that that concession be eliminated or that quotas be fixed? What is the specific suggestion you make? I know I am anticipating a little, but I will understand it better if I know ahead of time.

Mr. RICE. We support the Bailey amendment, Senator, as it was adopted in the House. In other words, that quotas be established.

Twenty-nine million pounds of fillets, which can and will be admitted at the low rate of 1⅞ cents per pound in 1951, is equal to the entire tonnage of all fillets imported during 1943. While this quota is determined upon the basis of average aggregate apparent annual consumption in the United States in the three preceding years and shows an increase each year, the domestic producer and processor is prevented from sharing in this increase. He is unable to match the low-price competition of his foreign competitor. He enjoys first call on all domestic markets whereas the American manufacturer must sell where he can and what he can in areas what have yet to be combed by the foreign producer.

I wish to draw the attention of the committee to one outstanding inequity created by the second trade agreement with Canada, effective January 1939. The tariff rate on fillets was reduced to 1⅞ cents per pound on annual imports of 15 million pounds, or 15 percent of the average annual consumption in the three preceding years, whichever was the greater. At that time the filleting industry was still in its infancy. Fish and Wildlife statistics show that there were less than 50,000 pounds of fish imports during the entire year. There were very few so-called fillet houses in Boston. The bulk of the business carried on at the Boston fish pier was in fresh, whole, or round fish. Canada had no fillet houses; hence all fish imports from Canada were "in the round," or fish with the entrails removed. The duty on round fish is the same as the duty on fillets. During the last 20 years there has been a complete revolution in the preparation of ground-fish products. The fillet is now the major sea product of the United States as well as of Canada, Iceland, Norway, Sweden, and others. Importations of ground fish have given way to tremendous importations of fish fillets. It takes 2½ pounds of ground fish to make 1 pound of fillets. It is evident therefore that the value of the fillet has increased two and one-half times over the value of the whole fish. Hence, in order to maintain a proper semblance of relative values, the duty on imported fillets should have been increased by two and one-half times the duty on whole or round fish. This is clearly indicated by comparing the ad valorem equivalent based on the value of imports in 1939 which was 24.7 percent against 1948 when it was down to 9.0 percent. Those figures show how unjust and inequitable the existing tariff rate has become. By converting the whole fish to fillets the foreign producer can export to the United States an unlimited tonnage of fillets and enjoy an old and ridiculously low tariff rate which was established when the fillet industry was still an infant.

Now, if the American housewife was able to buy foreign fillets at her local retail outlet for much less than what domestic fillets would cost her, then the domestic fishing industry could not logically sustain a case against imports. But that situation does not prevail. There is very little difference, if any, between the retail price of the domestic fillet and the retail price of the imported fillet. In fact, the only apparent difference between the two is the wrappers describing the brand name of the packer. The disparity in price is negligible. In truth, the foreign fillet should retail for 10 to 12 cents per pound less than the domestic fillet because the foreign manufacturer has that much financial advantage due to the lower labor costs and government assistance in the form of grants and subsidies.

Senator MILLIKIN. If it did, your business would be out of business; would it not?

Mr. RICE. Indeed it would.

We have made repeated efforts to induce the State Department to recognize these inherent inequities created by its present trade-agreements policy. Time after time we have explained our problem with imports to various congressional committees; all agree that the present Trade Agreements Act gave to the foreign manufacturer the American market comparatively free of competition from the American producer.

There are many other conditions to be cited in support of our contention that our industry is forced to bear unjust penalties and hardships because of the terms of the present trade agreement. I have cited only two in order to impress upon the committee the need for a Government-created formula within the structure of the Trade Agreements Act which will equalize the sphere of competition between the domestic producer and his foreign competitor.

In my testimony before the House Ways and Means Committee during consideration of H. R. 1612, I requested a complete study of the present Trade Agreements Act by a committee appointed by Congress in order to determine for itself and for the Government the extent of injury suffered by old-line American industries. A complete survey of this kind would reveal with startling clarity the tremendous inroads already made upon our industrial stability which, if allowed to continue and spread, can and will cause irreparable damage to our industrial economy. What is happening to the domestic commercial fisheries will spread to other avenues of industry when foreign industrialists attain more tenable positions from which they can enter other commodity markets in competition with American manufacturers. Every commodity or article now being manufactured by Americans will some day be duplicated by a foreign manufacturer and marketed in America in such quantities and at such prices that no segment of industry will escape the grinding pressure of foreign competition. Do we intend to adhere to the terms of the present Reciprocal Trade Agreements Act when that day arrives, or will you recognize existing trends toward possible complete industrial subjugation and take the necessary steps to guard against it? As proof that it can happen, let us return to that period between World War I and World War II when Japan was exporting, among other things, cheap electric-light bulbs; England was exporting high-quality shoes and woolen goods; Germany was exporting low-priced steel products, precision instruments; Sweden the finest of cutlery; and exports of

women's shoes from Czechoslovakia ruined the domestic shoe industry and made a ghost city of Lynn, Mass. All the major foreign countries were probing the automobile market with such avid interest that our domestic producers were seriously concerned and apprehensive. With the restoration of world peace that day will come again unless the present Trade Agreements Act contains sufficient safeguards to protect our industrial standards.

If the fishing industry were able to petition the courts for relief from current international unfair trade practices the evidence submitted by our domestic industry would be of sufficient weight and stature to warrant an immediate overhauling of the entire Reciprocal Trade Agreements Act. Lacking such an avenue or court of appeal, we are forced to plead our case before congressional committees in whose presence, regardless of the weight of evidence, the case must be considered in the light of party politics, party policies, and political importance. Recognizing that such a set of circumstances and principles exists, the industry can at best submit certain recommendations in the hope that Congress will be impressed by the seriousness of domestic industry's position and demand that the necessary equitable adjustments be made.

We consider the escape clause and the peril-point provision as two very essential safeguards, but they do not go far enough to provide sufficient relief in proportion to the damage suffered. The experience of industries that have sought relief under the escape clause has not been satisfactory; out of 20 petitions filed only 1 has received favorable consideration and that after a considerable lapse of time after the date of filing the original petition. The peril-point provision allows the Tariff Commission to determine, after examination, a tariff rate below which serious damage will be done to a domestic industry if the tariff is cut. The President may then heed or ignore the recommendation of the Tariff Commission and notify the Congress accordingly, stating the reasons for his action. Even if it has been determined that the tariff rate should be raised, the authority and extent of the President's right to raise tariffs is subject to strict limitations. In the case of the commercial fisheries a full 50-percent increase in the basic tariff rates would only advance the rate to 2⅝₀ cents per pound on the first 29 million pounds of fillets, which would still be negligible.

The amendment to H. R. 1612 submitted by Mr. Bailey of West Virginia, and subsequently accepted by the House, appeals to industry as the most logical and most practical approach toward a solution of this problem that has yet been made. When a product on which a concession has been granted is being imported in such relatively increased quantities as to cause or threaten serious injury to a similar domestic industry, the concession may be suspended, withdrawn, modified, or import quotas established. The amendment is elastic enough to apply a remedy suitable or in proportion to the extent of injury. The imposition of an import quota will not exclude the foreign producer from participating in the American market. We have never taken the position that our normal markets should be closed to imports. There is a definite and sizeable segment to which he is entitled. Establishing an import-quota system would offer concrete assurance to the domestic producer that the Reciprocal Trade Agreement Act was not designed to put him out of business.

As the spokesman for the Massachusetts Fisheries Association, Inc., and the Federated Fishing Boats of New England and New York, Inc., I respectfully urge the committee to consider with favor the import-quota provision contained in the Bailey amendment to H. R. 1612.

Senator MILLIKIN. I am sure the witness is aware of the fact that other countries maintain quotas of one form or another and that we also maintain them, especially in the field of agricultural products.

Mr. RICE. That is true, Senator.

Senator MILLIKIN. So there is no great departure so far as precedent is concerned if we move more broadly into the subject of quotas.

Mr. RICE. It will eliminate an awful lot of existing inequities.

The CHAIRMAN. Any further questions? If not, I suppose we had better take a recess and return at 2 o'clock.

(Whereupon, at 12:05 p. m., the hearing was recessed to reconvene at 2 p. m. this same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p. m. upon the expiration of the recess.)

The CHAIRMAN. The hearing will please be in order. The next witness is Mr. Robert E. Canfield. Mr. Canfield will you please come around, sir. The committee is slow to get together, but read your statement in the record. You may have a seat.

STATEMENT OF ROBERT E. CANFIELD, AMERICAN PAPER AND PULP ASSOCIATION, NEW YORK, N. Y.

Mr. CANFIELD. My name is Robert Canfield, address, 122 East Forty-second Street, New York. I am counsel for the American Paper and Pulp Association.

The CHAIRMAN. Mr. Canfield, I believe you have been down before the committee on some tax matters.

Mr. CANFIELD. And on social security.

The CHAIRMAN. And on social security; that is right.

Mr. CANFIELD. We talked about turpentine production and pulpwood production and a few other things.

The CHAIRMAN. Yes, sir.

Mr. CANFIELD. I want to make it clear at the very start that I am not here to talk about whether the rates of duty on paper are too low or too high or whether the industry is in favor of economic isolationism or anything of that sort. I want to talk about the Reciprocal Trade Agreement Act as such. As we see it, the level of duties has to be argued out in whatever forum is provided, whether it is before the Congress itself, whether it is before a committee for reciprocity information, or whether it is some other mechanism, and this is not the place for that discussion.

The particular bill that is before the committee now is a renewal of the old Reciprocal Trade Agreements Act with four fundamental amendments to it, and I would like to mention those briefly and what we think about them.

First, the agricultural amendment: It is, of course, of no direct concern to the paper industry for which I am speaking. It seems

logical enough, once you swallow the theory of parity prices—personally, not speaking for the industry, I have some difficulty swallowing that theory, but the amendment certainly fits in with it.

Second, the provision about Russia and the satellite countries: That seems to me altogether good, probably not for the reasons that most people think it is good. I think it is good because it is at least a wedge in the theory of playing poker with all the cards face up on the table. That is what the most-favored-nation clause amounts to. It is a step away from that; which is essential in my opinion if any kind of trading is to be done successfully.

Three, the peril-point provision: It has been referred to here this morning and in other hearings before this committee as a restrictive amendment, restrictive on the power of the President.

It isn't, of course. It is fine as far as it goes, but it reads kind of like a man trying to tell a story who has a fine build-up and then forgets the tag line at the end of it. It seems to indicate congressional intent that you do not want tariffs cut to a point where domestic industry is going to be seriously damaged. You build up all the indications of that intent and then let it hang.

Four, the escape clause. Again it is fine as far as it goes, but it is still permissive, and we ask quite seriously what good is a permissive escape clause considering past practices. To be specific about past practices, I am thinking of what happened under the first agreement that had an escape clause in it.

There some reciprocal deals were made involving paper.

Senator Millikin, before you came in I was mentioning this escape-clause provision in the House bill here and I said that our point was that it seemed fine as far as it goes, but that we seriously asked the question: How good is a permissive escape clause considering past practice? I started to mention as an example of why we asked the question what happened under the first agreement that had an escape clause in it. There were some reciprocal arrangements made with reference to paper and other things.

That was the treaty with Mexico, you will remember. Shortly after the treaty was put into effect, Mexico denounced the treaty as far as they were concerned, reinstated all of the duties that they had cut and subsequently raised those. There was an escape clause in that and nothing happened. It took more than 3 years before anything was done with that escape clause, and 3 years is too long to escape.

Those amendments in the House bill are, of course, better than nothing. They do indicate probable congressional intent but if that is the intent of Congress, why in the name of all that is holy do you not state what the intent is and put teeth in it. If you do not want American industry liquidated by this carte blanche cutting of duties, why not say that the President may cut duties down to that point and no further.

If the Congress is committed to the theory of playing poker with tariff schedules—and that is what this reciprocal-trade deal is—then sure, take those House amendments, but add some things to them. Make them state actually the policy of Congress, not indicate what it is and then leave the President free to go wherever he pleases regardless of the intent.

There are some other things that ought to be added if I read the probable congressional intent right. One of them I would think

would be a mandate to the President to put some experts on the team. If you are going to play poker, you might just as well have somebody knowing what the game is all about.

Every other country with whom we negotiate reciprocal-trade deals has on their negotiating team, sitting right with them—or at least in the immediate background, backstopping them—experts on every aspect of the conversations that are coming up.

Senator MILLIKIN. Mr. Chairman, as I recall it, a couple of years ago we asked the State Department to supply a list of our negotiators at a pending trade conference at that time, with biographies. We studied the biographies and the gentlemen listed. I think there was only 1 man—I am speaking out of rather stale memory—out of 80 or more who were listed, only 1 man who ever had outstanding business experience and that was Mr. Clayton.

Mr. CANFIELD. The story is told around business circles that at the time of the Geneva Conference a businessman couldn't even get a passport to get to Geneva, let alone get on the team. I do not know how true that is. It is probably a canard.

The CHAIRMAN. I think, Mr. Canfield, they do not have any lack of advisers to the negotiators.

Mr. CANFIELD. No it is just the quality of the advisers I was talking about.

The CHAIRMAN. It may be the quality you may complain about. They have quite a number of very learned people there.

Mr. CANFIELD. I merely suggest that if you are trying to determine rates of duty on any given commodity, that it might be smart to have somebody on the team who knows something about that business. At least it would put you on a parity with every other country who does do that. In addition, I think there should be a provision to reestablish a chance for judicial review of what is done, even after the negotiations are completed and the agreements put into effect. As it stands now, there is no possibility of checking performance, even under the reduced duties. If a collector of internal revenue for some reason or other decided he wasn't going to collect the duty that was established under a reciprocal-trade deal, there is no check on it from the outside. The manufacturers protest that permitted judicial review of the propriety of action under the Tariff Act as it existed, was washed out 17 years ago.

Those are what we think should be done if Congress is going to go ahead with this scheme of dickering over tariffs without limitation but we do not think Congress should do that.

Why should you play poker with tariffs? Tariffs are your job. It is specifically stated in the Constitution that that is a job for Congress, and Congress has not paid any attention to it since 1934.

The House bill does not change that situation one iota except to let in a little light so that maybe three years hence you will not renew it. That is about all the House amendments accomplish. So let us talk about the Reciprocal Trade Act itself, with or without amendments. That law establishes no criteria whatsoever of how much and under what circumstances duties are to be cut. It merely puts an outside limit. It precludes judicial review of the propriety of the law itself or performance under it. It wholly sets aside our basic concept of government—that is a three-ply job, with the legislative branch

determining policy, executive branch carrying it out, and the judicial branch seeing that they do.

That is gone. It is not there at all. That kind of a law is—and I do not think anybody can argue intelligently that it is anything else—bad democracy, it is bad government, it is bad policy, and it is bad law.

The reason I say those things is, for example, this: First as to bad democracy. The basic concept of democracy is that the people who legislate are people who are responsive to the voters, so that all the people have something to say about it. Under this act the person responsible for determining duties is stated to be the President, but that is nonsense: He is too busy to do it. Somebody else does it. I do not know who does it. I am quite sure you do not know who does it. You have got an 80-man team but who makes the decisions? Nobody yet that I have been able to find out has ever discovered actually who does it, and whoever it is, he certainly is not responsive to the people. As to why I think it is bad government: When you put in the hands of the Executive the power to make laws within broad limits, entirely as his whim of the moment may decide, what you are doing is setting up what you hope is going to be a benevolent despotism. The only way you can avoid that kind of thing is having some kind of possibility of review of actions, some kind of statement in advance from the legislative branch of what they intend to have done, and this law does not do it.

As to why it is bad policy: It permits going far beyond any intention that Congress ever had. Let me illustrate that with reference to paper tariffs. At the time that this act was first passed in 1934, the statement was made over and over again that the purpose of it, in addition to freeing up channels of international trade, which in fact it has not done as everybody knows—the restraints on international trade today are greater than they were then—but in addition to that the express purpose was stated to get away from the extremely high rates of tariffs that existed under the Smoot-Hawley Act, and to get back somewhere near the totals of the old Underwood Act of 1913, the so-called Free Trade Tariff Act, the tariff act for revenue only.

Now, certainly Congress did not intend that duty rates get far below that level and in general I suppose they are not, but when you write, with no criteria, this blanket power, what happens? The paper industry did not have high tariffs under the Smoot-Hawley Act. They did not want them. They never have wanted them. They wanted compensatory tariffs that would let them compete in their home markets.

The result is today that the average rate of duty on paper in the United States is less than one-third what it was under that Free Trade Tariff Act of 1913. If that is not going far beyond the expressed intent, I do not know what is.

Another example of what happens: In the act itself, in general terms at least, congressional intent was stated. The President was given the power to make reductions in duties whenever he found that the duty rate was such as to obstruct the free flow of international commerce. In 1938 there was a treaty negotiated with Canada. At that time the duty on one grade of paper that I am picking out as an example was 10 percent ad valorem. At the same time the Canadian dollar was quoted at 10 percent discount on the United States dollar. Net result, as a practical matter: free trade. The Canadian

could sell in this market at the same price he sold at home, pay the duty, and end up with the same number of dollars in his pocket.

Now, how anybody could find that that duty, under those circumstances, restricted the flow of international commerce, I simply cannot imagine, but they did, and they cut the duty. I am quite certain that that is not what Congress intended, but it is inherent in handling untrammeled power to someone without indicating to him what you want him to do and under what circumstances.

Why is the thing bad law? It is clearly and unequivocally unconstitutional. I would like to read a quotation from a Supreme Court case.

Senator MILLIKIN. What case is that?

Mr. CANFIELD. This is the Schechter case, 295 U. S. 490. It happens to be one of the best considered cases on the subject of congressional constitutional powers. The Court there was a unanimous court. New Deal judges and Old Deal judges together, said this:

> Extraordinary conditions may call for extraordinary remedies, but they cannot create or change constitutional power. Congress is not permitted by the Constitution to abdicate or to transfer to others the essential legislative functions with which it is vested. Congress may leave to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy as declared by Congress is to apply, but it must itself lay down the policies and establish the standards.

This act does not establish any standards whatsoever. It lays down a very broad basic concept of policy, but it establishes absolutely no standard of any sort under which the person to whom the job is allegedly delegated can act.

The CHAIRMAN. Has anyone ever tried to test this case?

Mr. CANFIELD. You cannot.

The CHAIRMAN. I understand that, but was an effort made to test the constitutionality?

Mr. CANFIELD. I do not know. I have not been able to find any way to get it into court. The difficulty is that the only way you could raise it, as I see it, would be if there were an import held at a certain rate of duty on which you would file a protest and take the thing to court on the basis that that duty was wrong, that it was established under an unconstitutional act. The only thing that has been done under this act is to cut duties, although the act permits raising them. Obviously, the person who imports is not going to take a case to court and claim that the act which made him a lower duty was unconstitutional. The domestic manufacturer is the only person who is concerned because the duty is lower than it was under the Tariff Act of 1930, but he is specifically precluded from coming into court by the elimination of that manufacturer's protest provision in the Tariff Act of 1930.

There is no way that I know of—I may be a stupid lawyer but I have spent a great deal of time trying to figure out how to get this thing into court, and I have not yet found out how to do it. The Government could but it won't. The importer could but he will not. The domestic manufacturer would but he cannot.

One of the arguments that I have heard and you have heard frequently, even coming from Republicans, is that: "Well, you would not want to go back to the old logrolling days of determining tariffs, would you? It is either that or this," and I would like to lay that theory fast.

It isn't "either that or this." They are both the same, only this time the logrolling and the high-pressuring and the smoke-filled room technique is applied not to Congressmen but to bureaucrats, and the pressure is applied, not by selfish American businessmen but by selfish foreign businessmen.

It is the same mechanism though. It is still the poker-playing deal. My answer to that question is "No, I do not want to go back to that nor does anybody else really." But the Reciprocal Trade Act is no answer to it because it is the same thing, and you do not have to go back to that method either. The words of the Supreme Court that I just read indicate the out on that. What you can do is to delegate detail.

All you have to do is to set a specific policy and delegate the detail of fitting specific problems into that policy to an agency that is responsible to you for carrying it out, and the reason I emphasize "responsibility to you" is because the present agency is not responsible to you or anybody else. In the past, Congress has asked commitment from the administration that certain things would or would not be done, and they have been given those commitments, and because of that have let the bill go through without any restrictions, and then the commitments have not been carried out because they are not responsible to you.

For example, the last time the act was renewed there was considerable correspondence between members of the Senate and the administration on one particular point, and they received assurance on that point that no negotiations would be made on anything except with the major exporting country to this country, and that is logical enough. If you are going to make concessions, make the deal with the person who is most involved. That commitment has not been honored at all. Time and time again duty reductions have been negotiated with a country that accounted for 10 percent of the imports into the United States and the country that accounted for 90 percent of the rides on the coat tails.

Congress has asked in the past for assurance and has received it, and again just the other day received it that—

"Oh, no, we will not think of doing anything in these deals which would injure American industry."

You have heard a procession of witnesses demonstrating that they have been injured. The commitments are not good because the people who make them are not responsive to you.

Suppose Congress did decide to scrap this unconstitutional, obviously demonstrated unworkable scheme for correcting all the ills of the world, and go back to doing a job on the basis I have suggested of outlining a specific policy and delegating to some agency responsive to you the power of fitting individual problems into that policy. What specific policy could it be? That is something that I hesitate to say, because that after all is Congress' prerogative, but I have a suggestion to make.

The Constitution, in the very first sentence about the powers of Congress, states that one of the powers of Congress is:

> To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States * * *.

That is why you are given the power and the duty to establish duties, among other things. You cannot pay the debts with duties.

That is out of the question. Nor can you provide any appreciable fraction of the necessary funds for operating the Government. It used to, but it does not any more and never will again.

So that leaves the other angle of it—

to * * * provide for the common Defence and general Welfare of the United States.

Now "provide" means to secure for the future, among other things, and it means that just as strongly as it means anything else. You are not going to secure for the future industrial strength in this country if a policy is adopted which permits foreign producers to sell at a profit in the United States at levels below the cost of domestic procedures, and that is what the situation is today in many, many lines.

It is true in paper, I know. There are certain industries, of course, where we have cost advantages over other countries, but in certain industries, many of them, we do not.

Let's take paper as an example. Everywhere in the world that paper is made, it is made in the identical fashion, with identical machinery, at identical speeds, with the same productivity per man per hour. That necessarily means that any country having a lower standard of living and lower wages, and manufacturing paper, can make it cheaper than they can in the United States, no matter how efficient the United States mills are, and they are just as efficient as any in the world.

The CHAIRMAN. Mr. Canfield, are not our cost advantages constantly disappearing?

Mr. CANFIELD. I believe so. Certainly they are as mechanization spreads throughout the world. The point 4 program should speed that up quite a little bit.

The CHAIRMAN. Are not our national policies directed to the lifting of standards and therefore that necessarily means productive capacity?

Mr. CANFIELD. Some of them are, Senator, and some of them seem to be aimed at reducing our standard to the other denominator.

The CHAIRMAN. You mean pulling down rather than raising?

Mr. CANFIELD. Yes.

The CHAIRMAN. Even if you did, you would still lose your cost advantage, of course.

Mr. CANFIELD. Oh, yes. It can be leveled out either way. When there is identity of——

The CHAIRMAN. But assuming the utmost good faith, whatever we may think of the many policies that have been suggested and advanced, whether they are really calculated to do that or not, is that not the avowed purpose of a great many of our national programs?

Mr. CANFIELD. Yes; and I think highly desirable. If it were possible to raise standards of living throughout the world to a point of equality, then free trade begins to make sense, but short of that it makes no sense.

The CHAIRMAN. I know, but I think we are going to lose our cost advantage.

Mr. CANFIELD. I am sure we are.

The CHAIRMAN. Whether that leads you toward free trade ultimately, as you say it might, or whether it leads you away, that seems to me to be the drift of things now.

Mr. CANFIELD. I think unquestionably it is the drift of things. There is no doubt of that. Going on with the suggestion of what the specific policy of Congress might have been: There seemed to be, if past experience is any criterion, three ideas in the back of the mind in fixing tariff rates. One is to foster new industry, and that was done very heavily in the early days of this country.

If that is what you are after, you put on a prohibitive rate of duty that just blocks our foreign stuff entirely. That is certainly no longer necessary in this country. Every industry in this country is strong and able to stand on its own feet. It does not need prohibitive tariffs.

Secondly, tariff for revenue. In that case you put on duty rates as high as the traffic will bear without reaching the point of diminishing return. That is just silly nowadays. There is not enough money there to have any real effect on revenue, so that is it not really worth considering. But the "preserve" angle—"provide for the common defense angle"—still makes sense. If that is what you are doing, what you do is to establish controls over importations, whether it is tariff or quotas or any other mechanism, in such a way as to provide equal opportunity for domestic manufacturers to compete freely for their own country's business.

That has been the paper industry's historic position. It is why we are in the spot we are today. We stated it is 1922 and the tariff rates were fixed on that basis. They were only compensatory by and large. Of course, there are slip-ups in that in spots, but by and large they were compensatory for automatic advantages that foreign producers had because of wage levels.

It was reiterated in 1930 when everybody else was climbing on the bandwagon and getting prohibitive tariffs. The paper industry did not ask for them and did not want them and the rates of duty on paper on major grades were identical with those in 1922. It is those rates which have now been cut back to on the average about one-third of what they were under the Underwood Tariff Act of 1913.

It seems to me that the opportunity to compete on an equal basis in our own market with foreigners is the most that industry can reasonably ask.

Senator KERR. Would you not say it is the least?

Mr. CANFIELD. I think it is the least that well-established industry can reasonably ask. I do. I am expressing a personal opinion on that. I also think that it is the very least that Congress, with public interest at heart, can reasonably do and it is what the paper industry had not had for 17 years of reciprocal trading agreements.

Senator KERR. You do not know where a country newspaper could get a little newsprint, do you?

Mr. CANFIELD. No, sir. There was a full-page ad in the Herald Tribune on Sunday, the headline of which was "Fredeom of the press in the United States depends upon newsprint made in Canada," which is strictly accurate, and with tariff rates the way they are now, the same headline can be written about a lot of other grades of paper sometime in the future. I do not know where anybody can get any extra newsprint, or any other kind of paper for that matter.

Senator KERR. I want to apologize, I was not here to hear your statement. I was quite interested in it. I have a number of newspapermen in Oklahoma tell me they hope that out of this legislation

will come some kind of opportunity of something to put them in a position to get a little newsprint.

Mr. CANFIELD. Of course, whatever you do on this will have no effect on newsprint at all. That was done back in 1913. There was a reciprocal trade deal made in 1913 between Canada and the United States to put newsprint on the free list both ways. The Congress of the United States backed up the agreement, and the Parliament of Canada did not, so newsprint has come into the United States duty free from Canada ever since 1913. It is still dutiable going into Canada, although Canada is the world's greatest producer of newsprint. Nothing you do in this connection can have any effect on newsprint at all.

Senator KERR. Do you think anything can be done in any connection that would have any effect on it?

Mr. CANFIELD. I could suggest one thing that might help and that would be for Congress to recognize the fact that, having made this country dependent upon Canada for newsprint, Canada has done a magnificent job of supplying that demand. At the moment there is great hesitancy in expanding capacity in Canada, largely due to continuous congressional investigations and criticisms of them on the job they have been doing. If Congress would stop creating that frame of mind it would be very helpful.

The CHAIRMAN. Is there anything else, Mr. Canfield?

Mr. CANFIELD. No, sir.

The CHAIRMAN. We are always interested in your observations.

Any further questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Canfield.

STATEMENT OF ROBERT E. LEE HALL, COUNSEL, NATIONAL COAL ASSOCIATION, WASHINGTON, D. C.

The CHAIRMAN. Mr. Hall, you may identify yourself for the record.

Mr. HALL. My name is Robert E. Lee Hall. I am counsel for the National Coal Association with headquarters at 802 Southern Building, Washington, D. C. Before proceeding to a consideration of the formal statement that we have prepared, I would like to comment briefly upon the testimony of the first witness in today's hearing. I refer to the refreshing remarks that were made by the Honorable John J. Burke, the mayor of Gloucester, Mass. He put in a very fine word for the beauties of the New England coast line. I fear that my comments here are not germane to H. R. 1612, but I would like to rise to the defense of two other geographical locations.

Probably it will be no surprise to you, Mr. Chairman, that somebody with a name such as mine has parents whose home is in Atlanta, Ga. I am familiar with the Georgia coast line and I think I can say without fear of contradiction that its coast line compares most favorably with that of the New England coast line and to Senator Millikin I would say that I have spend 8 years in Denver and it is my feeling that the skyline in Denver can compare most favorably with the New England coast line.

I thought perhaps the committee might be interested in having this bipartisan geographical declaration at this time. The association has

headquarters in Washington, D. C., and is a trade association of the bituminous-coal mine owners and operators in the United States.

Senator MILLIKIN. What can you say as to geography of this district?

Mr. HALL. Too much hot air, Senator Millikin.

Senator MILLIKIN. Have you ever heard it said that the location of the Capital here showed that Washington was a fallible human being?

Mr. HALL. I agree with that statement, sir. Our membership includes segments of the bituminous-coal-mining industry in each of the 28 coal-producing States of the Nation. The association represents more than 75 percent of the commercial bituminous-coal production in the United States. I wish to express appreciation to the committee for this opportunity to present the views of the bituminous-coal-mine owners and operators with respect to the House-passed bill.

It is our principal purpose to focus the attention of Congress on the damage being done to the coal industry because of unrestricted importations of oil from foreign sources. We believe that the House-passed bill represents a constructive step toward needed relief for many industries now suffering injury because of the operation of the reciprocal-trade program. To the extent that H. R. 1612, particularly section 7, offers hope of relief for the bituminous-coal industry, we urge its passage by the Senate.

We enthusiastically endorse the intent and purpose of section 7, that is, the establishment of a method of procedure for securing relief when an industry or segment thereof suffers damage because of unfair competition from foreign sources.

On March 2, 1934, the President of the United States sent a message to the Congress requesting authority to enter into executive commercial agreements with foreign countries for the reciprocal reduction of tariffs and other barriers to the flow of international trade. The President, in asking for the authority, indicated that it was "part of an emergency program necessitated by the economic crisis" and that the request was "an essential step in the program of national economic recovery."

In commenting upon the prospective exercise of this authority, the President had this significant statement to make:

> The authority 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 * * * the adjustment of our foreign trade relations must rest on the premise of undertaking to benefit and not to injure such interests.

It can be demonstrated beyond question that the coal industry has been injured by the operation of the reciprocal trade program and that the problem does merit the attention of the Congress. In 1949, the importation of foreign oil supplanted about 150,000,000 barrels of American petroleum production and resulted in surplus residual oil of 100,000,000 barrels which, in turn, displaced 25,000,000 tons of coal.

This meant that 25,000 miners and 25,000 transport workers lost their jobs. The coal industry lost $125,000,000 in gross income; and the railroads, $75,000,000 in freight revenues. The Nation, States, and cities lost tremendous sums in purchasing power and taxes. Resultant unemployment in the coal and railroad industries brought about by foreign oil added materially to heavy relief burdens of States and cities.

Attached exhibit No. 1 is a pamphlet entitled, "The Dangers of Foreign Oil," which forcefully illustrates the seriousness of the problem to the coal industry in 1949. Exhibit No. 2, entitled "United States Oil Imports and Exports," is attached for the purpose of showing the growing volume of oil imports from 1938 through 1949. There is also attached as exhibit No. 3 the most recent figures of the United States Bureau of Mines showing daily and monthly importations of crude and residual oil for the year 1950. Exhibit No. 3 indicates that there was a daily average of 836,000 barrels imported during this period and that the totals for the year amounted to 304,882,000 barrels. It is obvious that coal tonnage displacements and the resultant impact upon labor, railroad, and related industries was even more severe in 1950 than in 1949.

Exhibit No. 4, headed "Comparative statement of tidewater shipments of bituminous coal by loading ports—years 1948 to 1950, inclusive," sets forth a study of the tidewater shipment of bituminous coal through the various ports along the Atlantic seaboard for the years 1948, 1949, and 1950.

The studies disclose the extent of the decline in tonnage movements to the vital New England area. The reduction of tonnage in 1949, in comparison with 1948, shows a net loss of 6,300,000 tons. Notwithstanding the impetus of defense production and other supposedly favorable factors, the net loss in New England tonnage in 1950 over 1948 was 5,685,529 tons. Exhibit No. 5 sets forth a representative list of plants and utilities which have converted from coal to oil since 1948. We are advised that only a few of these companies have reconverted to coal-burning facilities since the beginning of the Korean War in June of 1950.

Is there security in foreign oil? This is a question that should be asked and must be answered to the satisfaction of the Congress and the American people.

It is not just the opinion of bituminous coal representatives that foreign oil would be immediately cut off in the event of all-out war. Witness the testimony of Rear Adm. Burton B. Biggs, executive secretary, Munitions Board Petroleum Committee, before the House Small Business Committee on June 15, 1949. In connection with discussions relative to the reliability of foreign oil for military purposes, the following colloquy appears in the record of the proceedings:

Mr. ELLIS. Admiral Biggs, now with regard to our lines of defense. As far as the Middle East, far-eastern oil reserves are concerned, one of the major immediately potential enemies we have could walk out very easily some moring after breakfast and take those over; could they not?

Admiral BIGGS. It is possible that the Middle East could be rendered untenable.

Senate Report No. 2042 (Exhibit No. 6 attached), entitled, "Causes of Unemployment in the Coal and Other Specified Industries," issued July 14, 1950, by the Senate Committee on Labor and Public Welfare, has this to say on the subject of the dependability of foreign oil in the event of another war:

These witnesses point out that oil imports would not be a dependable source of fuel supply in a war emergency and that a curtailed domestic coal industry would be unable to supply wartime demands. We would have fewer coal miners than in the last war, when the national interest required soliders to be furloughed and returned to the mines. Coal operators stressed the fact that coal mines cannot be kept in storage and that it takes from 1 to 2 years to restore a closed mine to full production. Coal can be stored by various users up to a 180-day supply. The

storage facilities for residual oil are severely limited and the cutting off of the imports of oil supplies even for a few days might be disastrous.

Witnesses in behalf of the independent producers of oil, attacking the position taken by the Assistant Secretary of State, testified to the effect that strategic considerations render it imprudent for this country to depend upon foreign oil supplies in the event of war, and that the maintenance of an adequate, flourishing domestic oil industry is indispensable to our prospertiy in time of peace and our security in time of war.

On February 7, 1951, during the debate in the House of Representatives, on the bill which is now before this committee, Representative Dewey Short sounded an ominous warning on this subject and in this language:

> Mr. Chairman, as the ranking Republican member on the Armed Services Committee, I am particularly concerned with out national defense * * * Do not forget, sir, that in World War II, 54 of our 59 tankers carrying oil from Venezuela, Aruba, and Curacao were sunk by Nazi submarines off the Atlantic coast * * *

Senator MILLIKIN. Fifty-nine was the total supply available for that service?

Mr. HALL. Those were tankers.

Senator KERR. That was almost unanimous; wasn't it?

Mr. HALL. Yes, sir. A very uncomfortable majority.

Senator MILLIKIN. Now the enemy has the so-called snorkel submarines which are reputed to be even more effective than the submarines operated by the Nazis.

Mr. HALL. I understand that to be the case; yes, sir. Continuing to quote from Representative Short:

> We cannot rest assured that we can depend upon the vast, rich oil fields in the Near East, in South America, and Mexico or anywhere else in the world, should we become engaged in a global conflict.

In the current hearings before the House Public Works Committee on the proposed St. Lawrence seaway and power project, both Secretary of Defense George C. Marshall and Secretary of Commerce Charles Sawyer testified as to the hazards of wartime sea transportation. Both Secretaries expressed concern over the prospective impossibility of keeping the sea lanes open in the relatively short distance between Labrador and the St. Lawrence River due to anticipated submarine warfare. It certainly follows that keeping the sea lanes open for South American and Near East oil will represent an even more difficult and speculative undertaking.

Reference is again made to exhibit No. 5. This cross-section sampling of plants converted from coal to oil serves to illustrate the extent to which industrial dependence upon foreign oil is developing. This dependence could prove to be the height of folly in the event of a third world war. If our military experts are right about the difficulties of maintaining supply lines on the high seas, what then will be the result for dependent utilities and industrial plants? Such companies may be subject to future shut-downs and service interruptions if there is undue reliance on wartime foreign oil to energize their operations. To us the answer seems clear: There is no security in foreign oil.

In 1949 the House Select Committee on Small Business, pursuant to House Resolution 22 (81st Cong., 1st sess.), conducted extensive hearings throughout the country to determine the effects of foreign oil importations on independent domestic producers. The evidence adduced at these hearings established that great damage was being

done to the domestic oil industry because of unrestricted foreign importations.

On September 15, 1949, there was offered from the floor of the Senate the so-called Thomas amendment to the Trade Agreements Extension Act of 1949. The amendment (exhibit No. 7 attached hereto) proposed a quota restriction which would have limited importations of foreign oil in any quarter to 5 percent of domestic demand in the corresponding quarter of the previous year. The Thomas amendment lost by only one vote—41 to 40. It probably will be of interest to the committee to review the vote of Senators who were for the amendment, inasmuch as seven members (a majority) of the present Senate Finance Committee supported the Thomas amendment.

For the Thomas amendment: Senators Anderson, Butler, Cain, Capehart, Chapman, Connally, Donnell, Ecton, Ellender, Fulbright, Gillette, Gurney, Hendrickson, Hickenlooper, Jenner, Johnson of Colorado, Johnson of Texas, Kem, Kerr, Kilgore, Knowland, Long, McCarthy, McClellan, McFarland, Malone, Martin, Millikin, Neely, O'Mahoney, Reed, Schoeppel, Thomas of Oklahoma, Thye, Tobey, Watkins, Wherry, Williams, Withers, and Young.

In response to further public demand for congressional action, a subcommittee of the Senate Committee on Labor and Public Welfare initiated hearings on May 22, 1950, pursuant to Senate Resolution 274, to determine the "causes of increasing unemployment in the coal, oil * * * and railroad industries."

The chairman of the subcommittee was Senator Matthew M. Neely, while the other members were Senator Elbert D. Thomas and Senator Robert A. Taft. Fifty-five witnesses voluntarily appeared and offered testimony in these hearings including 12 Members of the House of Representatives and responsible spokesmen for coal, labor, railroad, small business, and independent oil groups. The foregoing impressive array of witnesses clearly established for the record, without effective contradiction or rebuttal, that remedial legislation by the Congress was long overdue in the public interest.

Departing from the prepared statement at this point I feel sure that in the committee's deliberations, Senator Taft, having had the benefit of sitting in on the Neely hearings will convey to the committee the evidence of danger that was submitted in those hearings. I certainly hope that in order to supplement what I have said that the other members of the committee will call upon Senator Taft to give his views as a result of those hearings.

On July 14, 1950, the full Labor Committee issued a unanimous report on the hearings. Although the report is attached hereto as exhibit No. 6 for the convenience of the committee members, nevertheless it seems appropriate to highlight a few of the statements contained therein.

In appraising the materiality of the Senate report for the purposes of this hearing, it is well to bear in mind that it was issued after the Korean war which began on June 25, 1950. Pertinent excerpts from the report are as follows:

> Many distinguished witnesses, including United States Senators, Governors of States, Members of the House of Representatives, and prominent spokesmen for the coal, oil, and railroad industries testified that if oil imports continue at present levels, these industries will suffer lasting injury.

The indispensability of the coal, oil, and railroad industries to our nationa economy and security requires that measures be promptly taken to prevent their deterioration.

The committee fully recognizes this Nation's heavy responsibility to expand commerce, to the limit of its capacity, between the United States and friendly foreign countries. But when policies designed to increase trade result in continuing injury to the economic well-being of the American people, it becomes necessary to reexamine those policies and to weigh the evident harm against the assumed benefit.

It is perhaps inevitable and certainly understandable that those preoccupied with urgent problems of global concern should be somewhat insensitive to protests of domestic economic dislocation. Fortunately, such lack of vision is not characteristic of legislative representatives entrusted by the Constitution with responsibility for the welfare of the people of the United States.

Hearings also were initiated by a subcommittee of the House Committee on Education and Labor on June 1, 1950, pursuant to House Resolution 75. The subcommittee was headed by Representative Tom Steed of Oklahoma, while the other members were Representatives Bailey of West Virginia, Burke of Ohio, Smith of Kansas, and McConnell of Pennsylvania. Approximately 40 witnesses appeared before the subcommittee, including responsible representatives from the coal industry and various affected railroad, labor, small business, and independent oil groups.

The subcommittee has not as yet issued its formal report or recommendations. It is significant, however, that on January 15, 1951, Subcommittee Chairman Steed delivered a speech from the floor of the House directing attention to the continuing importance of the problem created because of unrestricted importations and recommending remedial action by the Congress. The following quotations are from Representative Steed's speech as it appears in the Congressional Record:

Since the Congress will be called upon this session to consider again the reciprocal trade program, I commend these hearings to the Members who desire more factual information on just what far-reaching authority is granted and how the careless use of this authority can and does frequently undermine whole industries in this country.

These hearings contain considerable information about how we have permitted reciprocal trade agreements to benefit nations behind the iron curtain and to harm American factories and workers. I hope the Congress will provide the safeguards in the new reciprocal trade legislation that we need to avoid these abuses in the future.

Now, as to the House-passed bill: The National Coal Association on January 26, 1951, filed a statement of position with the House Ways and Means Committee in connection with its consideration of the Trade Agreements Extension Act of 1951. Our statement urged inclusion in the bill of a provision which would have the effect of placing a quota restriction upon the importation of residual fuel oil.

Departing from the statement at this point, I would like to point out that that represented a departure in principle—a partial departure in principle from our previous position when we urged the Congress to place a quota upon all oil, both crude and residual. The reason for this change was the fear that any restriction on crude oil as such might in some unknown way impair the defense effort.

It is probably well-known by the committee members that crude oil coming from Venezuela and from the Near East has unusually high residual content and it does represent a serious threat to the best interests of the coal industry, but notwithstanding this fact we confined our recommendation to a restriction upon residual fuel oil. We

also recommended that any extension of the Trade Agreements Act be limited to a period of 1 year from June 12, 1951.

The House Ways and Means Committee reported out H. R. 1612 without any changes whatsoever, which meant that the House received for consideration a bill which called for the renewal of the Trade Agreements Act for a period of 3 years, without amendment. However, a series of amendments were thereafter successfully offered from the floor of the House on February 7.

Whereas we believe all of the House-passed amendments to be in the public interest, our particular concern is with section 7. This section was introduced as an amendment by Representative Cleveland M. Bailey of West Virginia in order to establish appropriate machinery whereby affected industries could offer proof of injury due to the operation or influence of the reciprocal trade program and secure protective relief. We are informed that Representative Bailey's amendment had, as one of its principal purposes, the object of providing a means of such relief to the bituminous coal industry. Therefore, to the extent that section 7 provides an adequate legal basis for securing relief from the unfair competition of foreign oil, we support the Bailey amendment and urge its retention in any bill reported out by the Senate Finance Committee.

Senator MILLIKIN. Congressman Bailey comes from West Virginia and I assume he is very well acquainted with the coal production problems in his State.

Mr. HALL. I would say that a preponderance of Representative Bailey's constituents were either directly or indirectly related to the coal industry, either as owners and operators, employees, union members or otherwise.

Although the intention to afford relief to the bituminous coal industry seems well-documented, it is, nevertheless, important to analyze all of the facts in the case in order to determine whether the language of section 7 will in fact afford such intended protection. The import excise tax of 21 cents per barrel was established in 1932 at a time when importations of foreign oil were not in sufficient volume to represent a serious threat to the coal industry. This tax of 21 cents per barrel has not been revised upward since 1932, although an examination of exhibit No. 2 will disclose that tremendous increases in the volume of imports have occurred in recent years.

Senator MILLIKIN. Twenty-one cents does not cover the present differential, does it?

Mr. HALL. No, sir, it does not. It has been reliably estimated that $1.05 per barrel would more nearly make a break-even point between the two fuels. Obviously the "peril point" procedure in the House-passed bill will be of little practical value in our case inasmuch as the total import excise tax of 21 cents per barrel affords only scant protection. The conclusion is inescapable that our only hope for relief at this time lies in an over-all quantitative restriction on foreign oil imports.

Is such relief possible through the language of section 7? We sincerely hope so. Indeed, some support for this point of view is to be found in the testimony of Secretary of State Dean Acheson before your committee on February 22, 1951.

In commenting on section 7, Secretary of State Acheson said, "It could be invoked even if the imports complained of were not the result

of a tariff concession." May we again express the hope that such is the legal effect of the Bailey amendment, for section 7 (a) authorizes "the contracting parties * * * to establish import quotas."

However, our fear is that this provision may subsequently be interpreted to mean that import quotas can be established only with reference to the volume of foreign oil brought in at some designated figure below the ineffective 21 cents import excise tax level pursuant to a trade agreement.

A measure of comfort is also inherent in the remarks of the Secretary of State acknowledging that some damage has been done to certain industries because of the operation of the reciprocal trade program. I have reference to paragraph 6 on page 2 of the Secretary's prepared statement, which reads as follows:

> There are some special cases in which disparities in wages might create some degree of competitive problem even for United States industry. This is particularly the case in industries where there has been relatively little mechanization and where labor cost is still a very large proportion of total cost.

If this declaration of policy means what it says, the State Department cannot, in good conscience, interpose an objection to the inclusion of the principle of the Bailey amendment in the Extension Act, or any reasonable modification thereof which would assure relief for an industry such as ours where the labor cost represents more than 60 percent of the total cost of production, and serious injury due to unfair foreign competition can be convincingly demonstrated.

In conclusion, we believe that the future national security of the United States depends upon the enduring strength and vigor of the coal industry. We have made every effort in this statement to address ourselves exclusively to the facts. The record will show that the policy of unrestricted importations of foreign oil has resulted in severe damage to our industry, and we are confident that justification exists for seeking remedial legislation.

With the stakes to the Nation so high, there is no room for retreat behind the Secretary of State's catch phrases, "protectionism" and "economic isolationism." It is obvious to an important segment of the American people that there must be congressional action. It is hoped that the Eighty-second Congress will perceive that the time for action is now.

Specifically, the bituminous coal mine owners and operators respectfully recommend that the Senate Finance Committee:

1. Report out favorably the House-passed amendments—sections 3, 4, 5, 6, 7, and 8—to H. R. 1612.
2. Amend section 2 of H. R. 1612 by limiting the extension of the Trade Agreements Act to June 12, 1952.
3. Amend H. R. 1612 by adding a provision thereto which would impose a quota restriction on the importation of residual fuel oil limiting the permissible entry of residual fuel oil into the United States in any calendar quarter to 5 percent of domestic demand for residual fuel oil in the corresponding quarter of the previous year.

Thank you once again for according us the opportunity to present our views.

The CHAIRMAN. Thank you very much. Are there any questions? (No response.)

The CHAIRMAN. If not, we thank you for appearing before the committee.

(The exhibits referred to in the statement (with the exception of No. 6, which is on file with the committee) are as follows:)

THE DANGERS OF FOREIGN OIL

EXCESSIVE IMPORTS THREATEN AMERICAN BUSINESS AND NATIONAL SECURITY

(National Coal Association, Washington, D. C.)

"It appears that the current oil imports program is going to * * * weaken instead of strengthen the country's fuel structure of the future. Its effects will be to depress American petroleum and coal production and to discourage advancement in synthetic oil output * * * make America unnecessarily dependent on foreign fuel supply * * *."—NATIONAL BITUMINOUS COAL ADVISORY COUNCIL.

THE DANGERS OF FOREIGN OIL

Imports of foreign oil—now flowing freely into the United States at a rate approaching a million barrels daily—threaten business in general and the national security.

Day-to-day damage from this flood of foreign oil—damage to the coal, petroleum and transportation industries—already is apparent. Immense future damage to the Nation's fuel economy, security, and welfare is on the horizon unless this flow of foreign oil is checked. Immediate action is needed so that the problem, so serious to the bituminous coal industry, the mine workers, the railroads, and the independent petroleum producers, can be solved.

Here is the problem

Damage of great magnitude has been inflicted on the United States fuel economy since the close of World War II as a result of the unwarranted increase in oil imports from foreign sources. Dr. James Boyd, Director, United States Bureau of Mines, asked the National Bituminous Coal Advisory Council to make a thorough study of the problem. The Council—organized to advise the Secretary of the Interior on matters affecting coal and national security—made its report on March 8, 1950, stating in part:

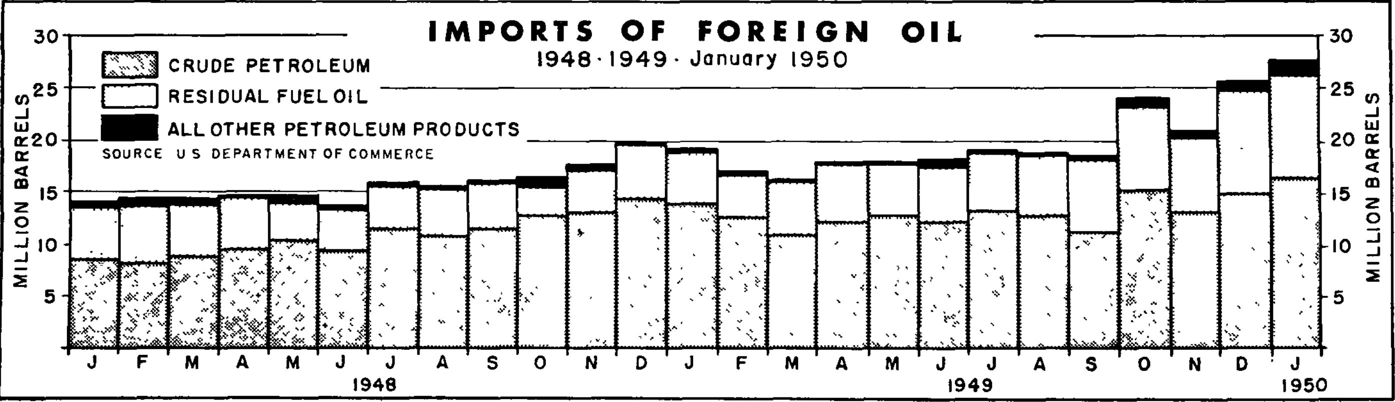
"It appears that the current oil imports program is going to result in a development opposite to the one declared to be its objective. The program will tend to weaken instead of strengthen the country's fuel structure of the future. Its effects will be to depress American petroleum and coal production, and to discourage advancement in synthetic oil output. What it will do is make America unnecessarily dependent on foreign fuel supply and, at the same time, without proper safeguards in case import flow is blocked or reduced. If this is a proper conclusion, then the country is moving in the direction of fuel shortages, not a pleasant prospect for economy that should expand, and remain powerful for security purposes."

Damage done to date

Imports of foreign oil—particularly residual fuel oil—have had adverse effects on the American economy as a whole.

American-produced coal and United States petroleum are being displaced in heavy volume. Employment and traffic are reduced as a direct and costly result. Oil imports in 1949 averaged 642,000 barrels daily—i. e., 234,000,000 barrels for the year—a 70-percent growth since 1946. One-third was residual fuel oil—the kind burned under boilers—and nearly all of the remainder was crude giving a relatively high yield of residual. This residual—a fuel pushed into the market to displace United States coal and petrolum—is the main product derived from foreign oil. Imports began to build up excess oil supply in 1948 which caused storage tanks to bulge with the residual product. Consequently, dumping residual was restored to through the medium of price slashing. Prices that averaged $3 per barrel in New York Harbor in 1948 were steadily cut. More price reductions followed as imports and residual continued to increase in 1949.

The net result was that residual made serious inroads into the coal market in a year's time, but to do it the price had to be lowered by as much as one-half. Residual prices dropped, but there was no reduction in the price of gasoline and other refined products as the general consuming public had been led to believe would ensue. Those who expected benefits from imports of foreign oil really got nothing; some cheap residual for the moment, yes; but no savings on their automobile or tractor gasoline.



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A million barrels of dumped foreign residual oil would displace 250,000 tons of coal and 250 mine workers. It would take $750,000 in freight revenue from the railroads alone and idle 250 transportation workers. Multiply this many times and the extent of the damage is revealed.

In 1949, the imports of foreign oil supplanted about 150,000,000 barrels of American petroleum production and resulted in surplus residual oil of 100,000,000 barrels which displaced 25,000,000 tons of coal. This meant that 25,000 miners and 25,000 transport workers lost their jobs. The coal industry lost $125,000,000 in gross income and the railroads $75,000,000 in freight revenue. The Nation, States, and cities lost tremendous sums in purchasing power and taxes, all from this dangerous flow of alien oil into the United States. Resultant unemployment in the coal and railroad industries—brought about by foreign oil—added materially to heavy relief burdens of States and cities.

Future impact of foreign oil

In the immediate future—1950, for example—displacement of American coal and oil by foreign oil can be double what it was in 1949, and more in each succeeding year, if the import trend continues. A loss of 50 million tons of coal. Unemployment for 50,000 miners and 50,000 transport workers. A revenue loss of $250,000,000 for the coal industry and $150,000,000 for the railroads.

Not too many years ahead, if imports continue to increase at the present rate, a major part of the entire American fuel supply may come from foreign sources. This possibility spotlights the import program as one endangering national security and welfare. Once this country becomes dependent upon foreign oil, the flow of imports has to be maintained at high levels; otherwise there will be a critical fuel shortage.

Furthermore, if excessive imports of foreign oil are permitted, the country's fuel and transportation capacity surely will shrink in alarming proportions. Inadequate fuel from American sources and curtailed transportation certainly will stunt the United States economy and weaken national defense.

American coal, petroleum, and transportation are unable to shoulder the heavy investment of maintaining stand-by fuel capacity for which there would be no use unless the day comes when the imports of foreign oil are cut off by war or other reasons. Maintenance of their normal places in the United States economy is necessary if they are to remain strong and capable of fueling the America of the future.

Time is a factor, too. If imports cease suddenly, new United States mines and wells and transportation cannot be brought into operation overnight. Meanwhile, there will be fuel shortages here. Assurance of a full fuel supply—so vitally needed for the country's defense, security, and welfare—is better than speculation that oil imports will never be disrupted.

Equitable law is needed

Foreign oil presents a problem of national significance, the solution of which can come only through treatment having essential regard for the Nation's defense, security, and welfare. When imports of foreign oil are adjusted to a sensible basis—by appropriate congressional action—America will be saved from the serious dangers now confronting the United States fuel economy. An equitable law, which will prevent excessive imports, is urgently required. Such Federal legislation is needed to encourage the domestic fuel industry to remain vigorous.

American industries—coal, petroleum, and railroads—must be enabled to meet the Nation's fuel needs at all times. Their business growth should be forever encouraged. Future development in these key United States industries likewise needs a clear go-ahead signal. Such encouragement and development can be brought about by reducing imports of foreign oil to a level where they will only supplement rather than supplant American fuel capacity.

United States oil imports and exports (excluding United States military)

[Barrels per day]

Year	Imports			Exports		
	Crude	Products	Total	Crude	Products	Total
1938	72,400	76,400	148,800	211,700	319,100	530,800
1939	90,700	71,100	161,800	197,500	320,200	517,700
1940	116,500	112,300	228,800	140,700	215,800	356,400
1941	138,600	127,500	266,100	91,100	207,100	298,200
1942	33,700	64,800	98,500	92,700	227,600	320,300
1943	37,900	135,800	173,700	113,300	297,600	410,800
1944	122,400	129,800	252,200	93,500	473,700	567,300
1945	203,700	107,600	311,300	90,400	410,900	501,300
1946	235,800	141,400	377,200	116,300	303,200	419,500
1947	267,200	169,500	436,700	127,000	323,600	450,600
1948	352,700	160,100	512,800	108,800	259,900	368,700
1949	426,027	213,699	639,726	88,767	240,000	328,767

Source: Department of the Interior, Oil and Gas Division, February 1950.

The source of crude-oil imports for 1949 is indicated in the following table, the large shipments of residual fuel oils being primarily from the Caribbean:

Oil imports into United States, 1949

CRUDE OIL

	Total barrels	Barrels daily
To east coast ports, from—		
Colombia	11,448,000	31,364
Curacao and Aruba	3,991,000	10,934
Iran	1,107,000	3,033
Iraq	341,000	934
Kuwait	19,072,000	52,252
Mexico	3,756,000	10,291
Saudi Arabia	15,723,000	43,077
Venezuela	81,045,000	222,041
Total	136,483,000	373,926
To other United States ports, from—		
Kuwait	6,000	17
Mexico	2,277,000	6,238
Saudi Arabia	120,000	329
Venezuela	10,036,000	43,934
Total	18,439,000	50,518
Total, crude oil	154,922,000	424,444

REFINED PRODUCTS

	Total barrels	Barrels daily
To east coast ports:		
Distillate fuel oils	1,717,000	4,704
Residual fuel oil	74,100,000	203,014
Other	1,416,000	3,879
Total	77,233,000	211,597
To other United States ports:		
Distillate fuel oils	3,000	8
Residual fuel oils	455,000	1,247
Other	1,518,000	4,159
Total	1,976,000	5,414
Total, refined products	79,209,000	217,011

Source: Bureau of Mines.

Daily imports of foreign oil, 1950—Refined products

[Barrels]

Month	Crude petroleum	Residual fuel oil	Other refined products	Daily total	Monthly total (2 plus 4)
(1)	(2)	(3)	(4)	(5)	(6)
January	487,000	326,000	28,000	841,000	26,061,000
February	411,000	253,000	21,000	684,000	19,162,000
March	471,000	374,000	23,000	869,000	26,946,000
April	511,000	347,000	30,000	888,000	26,651,000
May	439,000	301,000	26,000	766,000	23,753,000
June	498,000	301,000	39,000	838,000	25,134,000
July	486,000	269,000	51,000	806,000	24,976,000
August	501,000	294,000	44,000	839,000	26,015,000
September	525,000	302,000	31,000	859,000	25,765,000
October	510,000	343,000	43,000	896,000	27,774,000
November	466,000	393,000	32,000	891,000	26,729,000
December [1]	483,000	319,000	34,000	836,000	25,916,000
12-month average	483,000	319,000	34,000	836,000	25,407,000
Total, 1950					304,882,000

[1] December estimated based on daily averages January to November, inclusive.

Source: U. S. Bureau of Mines.

Comparative statement of tidewater shipments of bituminous coal by loading ports—years 1948 to 1950, inclusive

Port of loading	1948			1949			1950		
	New England, net tons	Other coastwise, net tons	Inside capes, net tons	New England, net tons	Other coastwise, net tons	Inside capes, net tons	New England, net tons	Other coastwise, net tons	Inside capes, net tons
Hampton Roads	12, 523, 070	5, 045, 354	142, 064	6, 460, 857	3, 856, 790	103, 718	6, 837, 541	4, 407, 761	121, 555
New York Harbor	1, 098, 786	12, 700, 154		410, 341	8, 244, 284		692, 909	9, 238, 475	
Philadelphia	3, 371		4, 663, 784	10, 733		2, 722, 300	11, 674		3, 196, 910
Baltimore	1, 999	5, 436	5, 007, 982	54, 743	9, 994	4, 124, 652	56, 123		4, 885, 303
Charleston									
Total	13, 627, 226	17, 750, 944	9, 813, 830	6, 936, 674	12, 111, 068	6, 950, 670	7, 598, 247	13, 646, 236	8, 203, 768
Grand total	41, 192, 000			25, 998, 412			29, 448, 251		

Representative list of plants and utilities converted from coal to oil since 1948

Location	Company	Annual coal tonnage displaced
Connecticut:		
Bridgeport	Bridgeport Brass Co	10,000
	Bullard Co	10,000
Bridgeport and New Haven	United Illuminating Co	175,000
Danbury	F. H. Lee & Co	12,000
Derby	Derby Gas & Electric Co	50,000
Devon	Connecticut Light & Power Co	100,000
Hartford	Hartford Electric Co	200,000
Manchester	Cheney Bros	16,000
Middlefore	Russell Manufacturing Co	10,000
Montville	Connecticut Power	87,000
New Haven	Winchester Repeating Arms	50,000
	Yale University	40,000
Norwalk	Norwalk Tire Co	10,000
Rockville	M. T. Stevens & Co	17,000
Shelton	Sidney Blumenthal Co	20,000
Stamford	Stamford Gas & Electric	160,000
	Yale & Towne Co	25,000
Versailles	Inland Paper Board Co	60,000
Waterbury	Scoville Manufacturing Co	100,000
Waterville	Chase Brass Co	60,000
Willimantic	American Thread Co	25,000
Windsor Locks	C. H. Dexter & Co	15,000
Total		1,252,000
Maine:		
Augusta	Kennebunk Pulp & Paper	15,000
Bangor	Bangor & Aroostook R. R	42,000
Brunswick	Pejetscot Paper	10,000
Bucksport	Central Maine Power	30,000
Great Works	Penobscot Chemical Fibre	60,000
Lewiston and Augusta	Bates Manufacturing Co	13,000
Pejetscot	Pejetscot Paper Co	10,000
Rumford	Oxford Paper Co	120,000
Wiscasset	Central Maine Power	120,000
Woodland	St. Croix Paper Co	70,000
Do	St. Regis Paper Co	70,000
Various	American Woolen Co	21,000
Total		581,000
New Hampshire:		
Bennington	Manadnoc Paper	6,000
Manchester	Manchester Steam Co	70,000
	Public Service Co. of New Hampshire	70,000
Portsmouth	Portsmouth Electric Co	130,000
	Public Service Co. of New Hampshire	130,000
Total		406,000
Massachusetts:		
Attleboro	R. Wolfenden & Sons	10,000
Barrowsville	Defiance Bleachery	10,000
Boston	American Sugar Refining	15,000
Boston	Boston Edison	1,300,000
	Metropolitan Transportation Authority	150,000
	Boston Elevated Co	150,000
Brighton	Butchers S. & M. Association	12,000
Brockton	Brockton Gas Light Co	9,000
Cambridge	Cambridge Electric	200,000
	Dewey & Almy Chemical	12,000
Charlestown	Revere Sugar Refining	30,000
East Walpole	Hollingsworth & Vose	14,000
	Bird & Son	85,000
Fall River	American Thread	15,000
	Fall River Gas Works	28,000
	Montaup Electric Co	300,000
Holyoke	American Writing Paper	15,000
	Holyoke Electric	20,000
	Whiting & Co	15,000
Lawrence	Bolta Rubber	10,000
	Pacific Mills	20,000
Lowell	American Woolen	12,000
	G. C. Moore Wool Scouring	10,000
	Lowell Gas Light Co	46,000
Lynn	Lynn Gas & Electric	150,000
Malden	Malden & Melrose Gas Light Co	19,000
Maynard	American Woolen	40,000
Monroe Bridge	Deerfield Glassine Co	10,000

Representative list of plants and utilities converted from coal to oil since 1948—Con.

Location	Company	Annual coal tonnage displaced
Massachusetts—Continued		
New Bedford	New Bedford Electric	85,000
Peabody	Danvers Bleachery	10,000
Salem	New England Power	120,000
Somerset	Montaup Electric	250,000
Southbridge	Ames Worsted	20,000
Taunton	Taunton Municipal Light	35,000
	Taunton Electric Co	15,000
Uxbridge	Uxbridge Woolen	22,000
Walpole	Kendall Co	10,000
West Groton	Hollingsworth & Vose	15,000
Wheelwright	San-Nap-Pak Manufacturing	10,000
Woburn	Consol Chemical	10,000
Wachusetts	Crocker Burbank	35,000
Total		3,344,000
Rhode Island:		
Allenton	Bellville Woolen Co	2,000
Arlington	Bradford Dyeing Association	24,000
Harrisville	Stillwater Worsted	11,000
Howard	Rhode Island Central Power	15,000
North Providence	Luneville Co	3,000
Pawtucket	Blackstone Valley Gas & Electric	30,000
	Narragansett Coated Paper	1,000
	Pantex Pressing Machine	1,000
Phillipsdale	Glen Lyon Print Works	30,000
	Washburn Wire	30,000
Providence	American Emery Wheel Works	850
	Atlantic Refining Co	4,000
	Leviton Manufacturing Co	1,000
	Narragansett Brewing	15,000
	Narragansett Electric	350,000
Providence	Nicholson File	3,500
	Uncas Manufacturing Co	15,000
	Wanskuck Co	4,000
West Warwick	Allied Textile Co	30,000
	Warwick Mills	2,000
	Westover Fabrics	1,500
Woonsocket	Masurel Worsted Mills	2,000
Total		575,850
New Jersey:		
Deepwater	Philadelphia Electric	500,000
Various	Public Service Gas & Electric	2,000,000
Total		2,500,000
District of Columbia: Benning	Potomac Electric	160,000
Virginia:		
Franklin	Camp Manufacturing Co	45,000
Norfolk	Experimental Farm	100
	Norfolk Co. Ferries	7,000
Suffolk	Roanoke Webster Brick	8,000
Webster	do	2,000
Barnes	Southside Brick Works	10,000
Richmond	Richmond Clay Products	1,000
	Redford Brick Co	7,000
	Southern Materials Co	3,000
	Export Leaf Tobacco Co	7,000
	A. & P. Tea Co	400
	Hyman Viener & Sons	1,000
	T. & E. Laundry	2,200
Oceana	Eureka Brick Co	6,000
Norfolk	Liquid Carbonic Corp	5,000
Charlottesville	Midway Laundry	900
	Lee Baking Co	275
Riddle	Danville Brick Manufacturing Co	1,100
Tyree	Lynchburg Rendering Co	1,400
Staunton	Staunton Steam Laundry	1,000
Possum Point	Virginia Electric & Power	250,000
Total		359,375

Representative list of plants and utilities converted from coal to oil since 1948—Con.

Location	Company	Annual coal tonnage displaced
South Carolina:		
Charleston	South Carolina Power	300,000
	West Virginia Pulp & Paper	75,000
Georgetown	Southern Kraft Co	150,000
Hartsville	Coker College	1,500
Total		526,500
North Carolina:		
Greenville	City of Greenville	6,000
	Greenville Municipal Power Plant	22,500
Plymouth	North Carolina Pulp	160,000
Washington	City of Washington	12,000
Wilmington	Brunswick Navigation Co	1,200
Mount Airy	Mount Airy Knitting Co	1,300
New Bern	City Electric Plant	16,500
Rocky Mount	Sidney Blumenthal & Co	6,000
Fayetteville	Southern Cotton Oil Co	1,500
Goldsboro	do	200
Rocky Mount	Southern Cotton Oil Co	2,750
Tarboro	do	250
Weldon	do	450
Wilson	do	1,870
Total		232,520
Georgia: Savannah	Savannah Sugar Refinery	100,000
	Union Bag & Paper Co	1,000,000
	Savannah Electric & Power	120,000
Total		1,220,000
Illinois:		
Brentwood	General Refractories	7,500
Hillsboro	Ball Bros	30,000
St. Louis	St. Louis Lead & Oil	6,000
Total		43,500
New York: New York	Consolidated Edison Co	4,500,000
Ohio:		
Cincinnati	Procter & Gamble	70,000
	Emery Industries	30,000
Dayton	Dayton Light & Power	200,000
Cleveland	Liquid Carbonic	5,500
	Cleveland Electric Illuminating	100,000
	Davis Laundry & Cleaning	2,000
	D. O. Summers	1,800
Defiance	Defiance Screw Machine Products	600
Delphos	Graham Trailer	600
Finlay	Buckeye Traction Ditcher	1,500
Fremont	Arrow Cutlery	200
	Yerges Manufacturing	100
Ottawa	Ottawa Tile & Brick	150
	Sylvania Electric Products	1,300
Tiffin	United States Glass	1,250
Toledo	Buckeye Furniture	50
	Continental Bakery	2,000
	Cherry St. Warehouse	500
	Cory Candy	250
	Epworth Methodist Church	100
	Freeborn Furniture	40
	Hertzfield Olds	100
	LaClede Christy	2,500
	LaFrance Toledo	20
	Lickendorf Hardware	25
	Zenobia Temple	60
	National Tent-Awning	50
	Owens-Illinois Glass	1,200
	Sherlock Bakery	165
	Swartzbaugh Manufacturing	300
	Roberts Toledo Rubber	700
	Toledo Steel Products	450
	Wall Chemical	100
Total		423,610

Representative list of plants and utilities converted from coal to oil since 1948—Con.

Location	Company	Annual coal tonnage displaced
Michigan:		
Detroit	American Brake Block	10,000
	American Car & Foundry	750
	Beatrice Foods	600
	Berry Bros	3,000
	Briggs Corp	50,000
	Buell Die & Machine	2,500
	Bulldog Electric	2,000
	Central Detroit Warehouse	500
	Chicago Rawhide Manufacturing	500
	Climax Molybdenum	500
	Continental Baking	1,800
	Continental Die & Casting	300
	Cooke Paint & Varnish	1,200
	Cummings Moore Graphite	800
	Detroit Aluminum & Brass	2,000
	Detroit Creamery	750
	Detroit Nut	100
	Detroit Packing	2,500
	Detroit Refrigerator	600
	Detroit Star Grinding Wheel	600
	Eaton Manufacturing	1,500
	Eckhart & Becker Brewing	5,000
	Excello Corp	4,200
	Gar Wood Industries	880
	Gemmer Manufacturing	750
	Gorham Tool	500
	Hinde & Dauch Paper	2,250
	Holley Carburetor	800
	Jefferson Terminal Warehouse	250
	McLouth Steel	3,500
	Peschke Packing	1,000
	Pfeiffer Brewing	9,000
	A. J. Stahelin	1,500
	Tivoli Brewing	6,500
	Vinco Corp	600
	Ward Baking	3,000
Subtotal		122,230
Albion	Albion Malleable Iron	1,000
Adrain	American Chain & Cable	4,000
	Gerrity Michigan Manufacturing	400
	Ira Wilson & Son Dairy	500
Battle Creek	A. B. Stove	1,000
	American Stamping	1,000
Bay City	Farmer Peets Meat Products	2,500
	Kuhlman Electric	500
	Nichols Foss Manufacturing	2,500
Hillsdale	F. W. Stock & Son	600
Jackson	Acme Industries	500
	Michigan Bakeries	300
	Ryerson & Haines, Inc	2,500
Wyandotte	McCord Corp	600
(Michigan total)		140,130
Grand total, plants and utilities listed		16,264,485

The proposed Thomas amendment to the Trade Agreements Extension Act of 1949 was as follows:

"SEC. 7. Section 350 (a) of the Tariff Act of 1930 is hereby amended by adding a new subsection as follows:

"(3) Quotas for petroleum and petroleum products to be imported to the United States shall be provided limiting the total quantity imported from all countries, including petroleum and petroleum products purchased abroad for use of the United States Military establishment and oil for supplies for bunkering vessels at U. S. ports but excluding oil for manufacture and reexport in any quarter of a year to an amount not to exceed 5 percent of the domestic demand for petroleum and petroleum products in the United States for the same quarter of the previous year as reported by the U. S. Bureau of Mines, plus petroleum and petroleum products purchased abroad for use of the United States Military establishment. Quotas established under this provision may be suspended during any period of inadequacy of petroleum supplies to meet current national consumption."

STATEMENT OF SIDNEY C. MOODY ON BEHALF OF THE SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION AND THE MANUFACTURING CHEMISTS' ASSOCIATION, INC.

The CHAIRMAN. Mr. Moody, will you please identify yourself for the record.

Mr. MOODY. Mr. Chairman, members of the committee, my name is Sidney C. Moody. I am president of the Synthetic Organic Chemical Manufacturers Association of the United States. Incidentally, Mr. Chairman, Mr. Charles Hurdy whom you mentioned was president of this same association from 1922 to 1926 at which time he resigned to start the research work on the utilization of southern pine.

The CHAIRMAN. Yes, sir I recall that.

Mr. MOODY. I am testifying today on its behalf as well as on behalf of the Manufacturing Chemists' Association, Inc. The combined membership of these two associations represents practically the entire output of chemicals in the United States, inorganic as well as organic. Included are manufacturers of heavy chemicals, such as acids, alkalies, and salts; coal-tar derivatives, such as dyestuffs, plastics, rubber chemicals, synthetic fibers, explosives, and pharmaceuticals; and fine chemicals, such as flavor extracts, perfume bases, photographic developers, and a host of other products. There are thousands upon thousands of chemical products of military and commercial importance, and present and future research in this field includes a limitless number of such products.

The chemical industry of the United States is so integrated that its views are necessarily the same on tariffs and other related matters. The entire chemical industry is vulnerable to foreign competitive attack.

You gentlemen know as well as I do that a great industrial nation cannot exist without a completely integrated chemical industry to serve its needs, both in peace and in war. This fact has been apparent from our experience in both World Wars, and is even more apparent as we enter upon what would appear to be a prolonged period of mobilization.

These associations have long had a keen interest in the Trade Agreements Act of 1934 and in the concessions which our Government has made under the authority of this act. We have looked with growing concern at the numerous concessions our country has made in its negotiations with other countries and have been especially apprehensive of our own industry's (and in these critical times, our country's) safety since our Government, pursuant to the GATT (General Agreement on Tariffs and Trade) Agreement, commenced negotiations at Torquay, England.

By way of specific background for our position on the trade-agreements program, we should like to comment briefly on the meetings now going on at Torquay. For the first time, the United States has undertaken to bargain with the Federal Republic of Germany with respect to a list of items which includes practically every organic intermediate product of our industry except dyestuffs.

Moreover, we are bargaining with the United Kingdom, France, and 24 other nations with respect to the same products. Under the authority which exists under the present Trade Agreements Act, our Government can reduce tariffs with respect to each of these items as

much as 50 percent from the January 1, 1945, tariff level. France and the United Kingdom are among the world's largest producers of synthetic organic chemicals. It is well known that Germany is the country of origin of the organic chemical industry.

Prior to World War I, the United States did not have an organic chemical industry worthy of the name. It imported the majority of these vital materials from Germany. Therefore, at the outbreak of the First World War the United States was in a serious position. Many of the products essential to a wartime economy were lacking, as were also the technical information and equipment needed for making them.

Drastic steps had to be taken to repair these grave deficiencies. As early as 1916, President Wilson urged Congress to pass legislation that would insure the building of a strong, permanent organic chemical industry in the United States. By the end of the war the vital importance to the national economy of this industry was fully recognized by everyone. Largely because of adequate protection between the two great wars, our country entered the Second World War with a powerful chemical industry, and today the United States has a strong well-rounded chemical industry of its own which must be preserved at all costs.

Germany has made rapid progress since the end of World War II in rejuvenating its vast chemical industry. France and the United Kingdom have similarly made great steps forward. Labor in Germany, in the United Kingdom, and in France is cheap compared to our own. United States labor costs are from four to six times higher than European labor costs.

The cost of raw materials, of skilled technicians, and of capital equipment is likewise much cheaper in all of these countries than in the United States. In view of these factors, Germany, the United Kingdom, and France undoubtedly can produce and sell in the United States chemicals competitive to our own cheaper than we can produce them and sell them here unless our industry is afforded adequate protection. The result of inadequate protection may well be ruinous to our industry, which is vital to the defense of our country.

For these reasons we view the negotiations at Torquay with deep concern. Yet, because of the secrecy with which the negotiations are conducted, we do not now know, and probably will not know for several months, the results of these negotiations.

Experience under the present act has made it increasingly clear that some domestic producers are not adequately protected from serious injury. We view this inadequacy with particular alarm, since our industry itself is facing possible serious injury by concessions that may be made at Torquay. We have a natural desire to have adequate relief available if our industry is in fact injured. We do not believe that such relief is afforded by the present act, or by the executive practices under it.

With this as a background, we approach the proposed bill. On January 26 we testified before the House Ways and Means Committee, urging that certain amendments be made to the act. Among other things, we urged that the inadequate protection afforded to domsetic industries by the existing escape clauses be remedied by amendment to the act. We have noted with gratification that the House of Representatives has amended H. R. 1612 to remedy these defects

and, in addition, has added a peril point provision. We strongly urge that these amendments made to the bill by the House be reported favorably by this committee and adopted by the Senate.

It is our understanding that both President Roosevelt and President Truman, in submitting this legislation to Congress, gave assurances that domestic industries would not be injured by concessions granted under the act. The Congress, in which the ultimate constitutional authority with respect to this matter rests, granted to the Executive his authority under the act, with these assurances in the background. The peril point amendment and the escape clause amendment, presently incorporated in the House bill, do nothing more than lay down a congressional mandate that these Presidential assurances will be carried out.

In other words, these two amendments will provide adequate machinery to assure domestic producers that they will be given real protection before the concessions are made and real relief if they are injured after the concessions are made. Rather than making the Trade Agreements Act unworkable, as is contended by the Department of State, the amendments in reality effectuate and put into operation the very same safeguards which have been promised by the Executive authority. No reasonable objection can be made to this.

It is our understanding that the Secretary of State has opposed each of the House amendments. While doing so, however, he indicated that if your committee should find in favor of the amendments his Department would like to have the opportunity to sit down with the committee to redraft the amendments in such a way as to make them acceptable to the Department of State. We consider it essential that the Tariff Commission, in conducting peril point investigations, be required to hold hearings after reasonable public notice. Likewise, we consider the following features of the escape clause amendment to be essential:

1. That an interested party be assured an investigation by the Tariff Commission upon its application for relief under the escape clause.
2. That in the course of such investigation the Tariff Commission be required to hold hearings after reasonable public notice.
3. That the Tariff Commission, if it finds that no sufficient reason exists for relief, shall make findings of fact in support of its denial of relief.
4. That the factors which are to be deemed as evidence of serious injury be retained, but that it be made clear that these factors do not exclude other factors that may be deemed evidence of serious injury by the Tariff Commission.

In our testimony before the Ways and Means Committee we urged that a joint committee of Congress be appointed to study the Trade Agreements Act and its over-all implications. A sound appraisal of the trade-agreements program is an extremely complicated problem.

No one can say with much certainty what effect it has had upon the world economy, or our own country's economy, except that we can say with some certainty that some of our domestic industries have been injured. The world has been in serious upheaval since the passage of the act in 1934.

Senator MILLIKIN. Mr. Chairman, I suggest to the witness that injury is inevitable where calculated risks are taken, as the prior

record here shows abundantly. In other words calculated risks are built into the system.

Mr. MOODY. That is right, sir.

Senator MILLIKIN. They will inevitably operate wherever we get out of this abnormal economy that we are in at the present time, and may be operating now.

Mr. MOODY. Except for a relatively short period in 1949, we have had steady inflation since that day. World War II has intervened. There have been currency devaluations abroad. The ECA program has had its effect. There have been quotas and quantitative restrictions imposed on trade abroad.

Each of these factors, together with the Trade Agreements Act, has had its part in producing our present world economy. Precisely what part each played is unknown. Furthermore, the possible effect of further inflation in this country and currency devaluation abroad is unknown. Only by a thorough and complete investigation can a fair appraisal be made of the over-all effect of the trade agreements program and its place in our present day world economy and in the country's present crisis.

Senator MILLIKIN. May I suggest that there is so much inflation in foreign currencies that they have not dared to submit them to the free exchange of free markets.

Mr. MOODY. That is correct.

Senator MILLIKIN. Ultimately, of course, that sort of situation always comes.

Mr. MOODY. It can be very harmful, too.

Senator MILLIKIN. It is the same as a formal devaluation.

Mr. MOODY. That is right.

Senator MILLIKIN. You get exactly the same result, only in the case where it is not a result of formal action it is more disorderly.

Mr. MOODY. That is right. This investigation may well require 2 years rather than 1 year which we proposed in our testimony before the House Ways and Means Committee.

Such an investigation would furnish an adequate vehicle with which to reexamine the feasibility of continuing or modifying the Trade Agreements Act in the light of changed world conditions. It would afford domestic industries the opportunity to spread squarely on the record carefully documented studies of the effects on our industries of concessions made under the Trade Agreements Act. It would provide a panel before which the Department of State could answer, in detail and publicly, criticisms of the trade-agreements program. The whole proceeding would have the salutary effect of clearing the air and letting us know where we stand.

We have noted that Senator Brewster has introduced an amendment to the bill for this committee's consideration containing the proposal that a joint committee of Congress be appointed to study the Trade Agreements Act. We endorse this proposal and strongly urge that this committee give it favorable consideration.

In summary, we recommend to this committee the following:

1. That the Trade Agreements Act be extended for 2 years only.
2. That H. R. 1612, as amended by the House of Representatives, be adopted, containing the safeguards provided in the peril point and escape clause amendments.

3. That Congress appoint a joint committee to study the Trade Agreements Act in its over-all implications and to reappraise the entire trade-agreements program.

Thank you.

The CHAIRMAN. Any further questions?

(No response.)

The CHAIRMAN. If not, thank you very much for your appearance. Mr. Hart.

STATEMENT OF LAWRENCE J. HART, SECRETARY, GLOUCESTER FISHERIES ASSOCIATION, GLOUCESTER, MASS.

Mr. HART. Mr. Chairman, my name is Lawrence J. Hart. I am secretary of the Gloucester Fisheries Association, which comprises 16 firms engaged in the wholesale handling, processing, packing, canning, freezing, and shipping of fish and fishery products at Gloucester, Mass.

Gloucester is one of the leading fishing ports of the United States. In recent years it has led all other ports of the country in the production of edible fish foods. Total landings of fresh fish at Gloucester during 1948 amounted to 251 million pounds valued ex-vessel at 11¼ million dollars. Similar landings in 1949 were about the same and the value ex-vessel was about 10½ million dollars. Landings last year dropped below the 200 million pound mark, due principally to an 11 weeks' labor dispute.

Gloucester is a community of approximately 25,000 people. Practically the entire economy of the city centers about the fishing industry which provides employment, directly or indirectly, to about two-thirds of the entire working population.

Upward of 250 vessels operate in the fisheries out of that port. The replacement value of these vessels is well over $16,000,000. The number of men serving as crew members on these vessels varies from 2,200 to 2,400, depending upon the season of the year.

The fish handling and processing plants employ an average of 2,000 men and women throughout the year. The number fluctuates because of the seasonal nature of the business. During peak production periods of summer as many as 2,600 are employed. These workers receive an annual payroll of from 4 to 5 million dollars.

The onshore investment in these fish handling and processing plants, together with canning plants, freezing and cold-storage plants, dehydrating plants, artificial ice making plants, and other facilities essential to the operation of a fishing industry, amounts to over $25,000,000.

Senator MILLIKIN. Most of the rest of the services of a different nature in Gloucester depend for their existence or nonexistence on the welfare of the fishing industry, isn't that right?

Mr. HART. That is right. Most of them are incidental and essential to the operation.

Senator MILLIKIN. If you want to add the filling stations, the grocery stores, the clothing establishments, the professional interests, and so forth and so on, it would come to a much larger figure, both as to capital and as to people who have a direct interest in the business.

Mr. HART. You are right, sir. These figures are given to show how dependent Gloucester is upon the successful promotion of its fisheries, and how deeply concerned we are over the tremendous increase in foreign fish flooding American markets, which threatens—and certainly not before too long—to deprive us of our one means of livelihood unless something is done about it.

Gloucester primarily is a fish freezing and processing port. About 90 percent of fish landed is filleted and frozen and is sold principally in the Southern and Midwestern parts of the country.

The principal species of fish landed are cod, haddock, hake, cusk, pollock, and rosefish, the latter being sold in the trade as ocean perch. These species are commonly referred to as ground fish. The annual production of fillets from fish landed varies from 60 to 65 million pounds.

The problem we face—and it is a very serious one, not only for Gloucester, but for the entire New England fishing industry—is that these are the identical species in fillet form (that is, ground fish fillets) that are now entering this country in tremendously increased amounts from Canada, Newfoundland, Iceland, and more recently from Norway.

Imports of ground fish fillets are covered by paragraph 717 (B) of the Tariff Act of 1930, amended by the second trade agreement with Canada effective January 1, 1939; and further amended by the Geneva agreement effective January 1948.

Under the Tariff Act of 1930, the duty rate on imports of ground fish fillets (fresh or frozen) was set at 2½ cents per pound. Under the 1939 second trade agreement with Canada, the duty rate was reduced to 1⅞ cents per pound.

Senator KERR. I would like to ask a question there. I got the idea from one witness this morning that that 2½ cents a pound was on the gross weight in fish.

Mr. HART. No, sir. That is on the actual weight of the fillets.

Senator KERR. I got the impression from him that it was at this time applied to the actual weight of the fish, but that when enacted it was made applicable to the gross weight of the fish.

Mr. HART. That is right, because in the 1930 tariff the 2½-cent rate applied to whole fish as landed from vessels.

Senator KERR. When did they apply the 2½ cents to the fillets? Did that just come about naturally by reason of the fact that they had a tariff of 2½ cents with reference to imported fish and they didn't change the amount of it when the form of that fish was changed from gross weight to fillet weight?

Mr. HART. I assume, sir, that the 2½-cent rate applying to processed fillets was established under the second trade agreement with Canada in 1939.

Senator KERR. This says that it was that under the 1930 act. Your statement says, "Under the Tariff Act of 1930 the duty rate on ground fish fillets was set at 2½ cents per pound."

Mr. HART. I believe Mr. Thomas D. Rice, of the Massachusetts Fisheries Association, stated that the fillet industry was then in its infancy. There were very few fillets being imported into this country.

Senator KERR. The only question I have in mind is whether or not when the 2½ cents was originally enacted it was applicable to fillets or the gross fish or both.

Mr. HART. I believe you are correct in that statement.

Senator KERR. I didn't make a statement. I asked a question.

Mr. HART. It applied to both the whole fish and the fillet fish, and I assume for the reason that very little fillet fish was being imported back in 1930 at the time of the tariff act.

Senator KERR. Then the fact that it is not an adequate a potential today as it was then is by reason primarily of the fact that the form of the imports had changed from where it formerly came in as gross weight, it now comes in as net weight, but that actually when the tariff was enacted in 1930 it specifically made the 2½ cents applicable to the fillets.

Mr. HART. I assume that it did. I am not positive of that, but I assume you are right.

Senator KERR. I would like to get that information, Mr. Chairman.

Mr. HART. I can provide that, sir, and perhaps turn it in to you tomorrow.

The CHAIRMAN. Will you please get it so we can use it for the record?

Senator MILLIKIN. Mr. Benson hands me the act of 1930 which has this to say on that subject:

> Paragraph 717 (B): Fish, pressure frozen, whether or not packed in ice, filleted, skinned, boned, sliced, or divided into portions not specially provided for, 2½ cents per pound.

Mr. HART. That is correct.

Senator KERR. Thank you.

The CHAIRMAN. All right. You may proceed.

Mr. HART. Under the Tariff Act of 1930, the duty rate on imports of groundfish fillets, fresh or frozen, was set at 2½ cents per pound. Under the 1939 second trade agreement with Canada, the duty rate was reduced to 1⅞ cents per pound, applicable to an annual import quota of 15 million pounds, or 15 percent of the average United States consumption of these fillets during the three preceding years, whichever was greater.

Senator MILLIKIN. I would like to ask the witness a question. Do you ship very much whole fish?

Mr. HART. I made a statement in the first part of my brief that about 90 percent of our fish landed is filleted and frozen. Of our total landings, about 10 percent is shipped out fresh or sold fresh.

Senator MILLIKIN. Is that the same as to the other fishing ports?

Mr. HART. Gloucester is in my opinion the largest fillet processing and freezing port in the country.

Senator MILLIKIN. In other words, the other places where the industry is located probably ship more whole fish?

Mr. HART. They ship more whole fish, more fresh fish.

Senator MILLIKIN. A greater percentage of whole fish.

Mr. HART. That is right. The duty rate on imports above this annual quota remained at 2½ cents per pound with no limit on the amount that could be imported into the country at this higher rate.

Under the Geneva agreement, the same rates were continued but the agreement provided that no more than one-fourth of the annual quota could be imported during the first 3 months; no more than one-half of the annual quota during the second 6 months; and not more than three-quarters of the annual quota during the first 9 months. However, again in this instance, no limit was placed on the amount of groundfish fillets that could be imported above the quota at the 2½-

cents-per-pound rate. Consequently, this provision in the Geneva Agreement has been of no practical help to us and has not decreased whatever the amount of imports.

On pages 54 to 56 of Supplement B, Publication 1253, of the State Department titled "Press Releases" and referring to the 1939 Trade Agreement with Canada, a statement appears under the heading "Fishery products" setting forth the reasons, presumably, for effecting that agreement and for reducing the then duty rate from 2½ cents to 1⅞ cents per pound.

Two excerpts from this statement are quoted as follows:

> (4) Although many new concessions on fish are made, the concession on the most competitive product, fillets of "groundfish," is safeguarded by a tariff quota.
>
> * * * * * * *
>
> Reduction in the duties on salt and smoked groundfish cannot expand imports materially, since they already supply the bulk of the market. Canada can increase materially its exports of groundfish to the United States only in the form of fillets. The duty on fresh and frozen fillets of groundfish, and also of rosefish, a species caught incidentally along with groundfish, has therefore been reduced by 25 percent, from 2½ cents to 1⅞ cents per pound. This concession, however, is limited by a quota. The reduced rate is not to apply to imports in any year in excess of 15 percent of the average United States consumption during the three preceding years (the quota in any case to be not less than 15 million pounds). Any imports in excess of the stipulated quantity will be subject to the statutory rate, now 2½ cents per pound. The domestic industry is thus assured of a dominant share in this expanding business.

If it was the intention of those negotiating the Second Trade Agreement that the domestic fisheries would thereby be adequately protected by its provisions, the following figures will show how wrongly they judged and, as a result, in what a precarious position the industry, particularly the groundfish fillet industry, finds itself today.

In 1939, the first year of the existence of the Second Trade Agreement, the entire production of groundfish fillets in the United States amounted to 99½ million pounds. Imports that year of the same species of fillets amounted to 9½ million pounds, or about 9½ percent of our total domestic production.

Imports of groundfish fillets remained under the 10 million mark through 1941. In 1942, they increased to over 16 million pounds; in 1944, to 24½ million pounds; in 1946, to over 49 million pounds; in 1948, to nearly 60 million; and in the past year, 1950, to over 66½ million pounds.

Senator MILLIKIN. Representing what percentage of market?

Mr. HART. That would represent between 48 and 50 percent, as I worked on those figures last night. That is an increase of over 6½ times in the amount of these imports in less than 10 years. That figure of 66½ million pounds represents finished fillets and has been explained in testimony this morning. Fillets are the meaty portion, each side of the fish, and you have a yield varying from 25 up to 40 percent, depending upon the species of fish which is being filleted.

You take in the case of rosefish, which we sell as ocean perch, it takes about 4 pounds of whole fish in order to provide a pound of fillets. In other words your yield is roughly 25, 26, or 27 percent.

You take in the case of cod and haddock, it would take about 2½ pounds of whole fish as it is landed by the vessel in order to provide a pound of fillets.

So if you were to count the conversion of 66½ million pounds back into the whole groundfish, it means that what these countries to the north actually did, although it was in fillet form, or the whole fish equivalent of the fillets they imported in here amounted to over 182 million pounds of whole fish.

I may also add that that is over three-quarters of Gloucester's normal production, and apparently the end of this upward spiral is not yet in sight. In January of last year, imports of groundfish fillets from these countries to the north amounted to 4,273,451 pounds. That is in just 1 month. This is more than the total of groundfish fillet imports during 1939 when the Second Trade Agreement came into being. If this rate of increase obtains throughout the year, it simply means the end of this entire segment of the New England fishing industry.

Some of our American firms already see the "handwriting on the wall," so to speak, and are opening up branch operations in these northern countries. These firms have spent hundreds of thousands of dollars developing markets in this country for their products. They would much prefer to continue their operations here, but how can they in the face of such increased, unfair foreign competition?

To protect their investment, to protect the business they have developed in this country over the years, and to supply their trade with groundfish fillets, they must entrench themselves where they can produce these fillets on somewhat of an equal basis with their foreign competitors.

And our neighbors to the north evidently are trying to help our distressed American processors to extricate themselves from this predicament by granting free use of land and of wharf properties; by granting substantial loans for construction of fish-processing facilities at extremely low rates of interest and on easy amortization terms; by allowing transfer of American vessels to foreign registry to engage in fishing. American firms so entrenching themselves in these countries hope to be able to salvage at least a portion of the business in this country which it has taken them many years to develop.

Senator MILLIKIN. Boat for boat, do we rank along with our competitors or do they have a superiority in their boats?

Mr. HART. I don't think so, because our fleet has as modern boats as you can get and as efficiently manned as you can get.

Senator MILLIKIN. Taken processing plant for processing plant, have they superiority over us?

Mr. HART. I don't believe so, no. Certainly there is need of something being done—and as quickly as possible—to stem this tide of increasing groundfish fillet imports before our entire domestic fisheries are on the brink of ruin. At the moment, the New England fishing industry is feeling the full impact of this avalanche of imported foreign fish. The reason is that the New England fisheries account for substantially all of the groundfish fillets produced in the United States. But this problem can extend to other segments of the industry, and to other industries as well.

We are familiar with the so-called peril point and the escape clause and their functions in the Reciprocal Trade Agreements Act; both are essential safeguards but not sufficient to afford the fishing industry the protection it must have. Some form of annual quota, either in

relation to domestic production or to domestic consumption, must be established—a quota that will be equitable and fair to our neighboring countries to the north, but at the same time equitable and fair to ourselves.

We subscribe to the principle of reciprocity. We do not object to fair competition on at least somewhat of an equal basis. We expect to share our markets to a reasonable extent with our neighbors to the north; but we do feel we should not be expected to share to the extent that we shall put ourselves out of business.

Senator MILLIKIN. Do you ship any fish into Canada?

Mr. HART. So far as Gloucester is concerned, no; we don't ship any, and I doubt very much if there is any fish. I think Fish and Wildlife Service, if there is any exported into Canada, could give you those figures, and I think that Fish and Wildlife Service, could provide this committee with a brochure showing in graphs and in graphic form exactly what the situation is in our domestic fisheries, and it would show you the tremendous increase in imports—the corresponding tremendous shrinkage in exports. I think all of that information Fish and Wildlife Service could provide you with.

Senator MILLIKIN. You don't mean shipping of the fish of the type you are talking about into Canada?

Mr. HART. No.

Senator MILLIKIN. Then there is no reciprocity?

Mr. HART. Not a bit.

Senator MILLIKIN. Fish import concessions probably to help some other export business.

Mr. HART. That is right.

Senator MILLIKIN. Is that true reciprocity?

Mr. HART. No, it is not. There is not a pound of Gloucester-produced fish that goes into Canada.

Senator MILLIKIN. They would be idiotic to take your fish, wouldn't they, when they can produce it cheaper than you can produce it?

Mr. HART. Certainly they would.

When any domestic industry is called upon to share nearly one-half of its total production to help build up the economy of foreign countries—countries whose governments subsidize their industry, provide capital for building fishing vessels, shore plants, freezers, cold storage facilities, subsidize transportation—it must be readily apparent that our industry faces gradual extinction unless the Congress can come to its aid, and that is precisely the situation facing the Gloucester and New England fishing industry.

We hope very much that the amendment to House Resolution 1612 submitted by Congressman Bailey of West Virginia and since adopted by the House will be approved by your committee, and we hope further that you gentlemen will urge its passage in the Senate. This amendment provides that when a product on which a concession has been granted is being imported into this country in such amounts as to threaten seriously the domestic industry, then the concession may be suspended, withdrawn, modified, or import quotas established.

You will notice that along about the middle of the brief that was the suggestion we made. We are perfectly willing to share a portion of our business. We are perfectly glad to try to help to build up the economy of these other countries, but certainly now, in the groundfish

fillet industry we are already sharing close to 49 percent. If the increase that has occurred during January obtains throughout the year, we might just as well close up our business and go out of business. There is no other possible way out of it. If that increase obtained. we would probably be well over a hundred million pounds.

Senator MILLIKIN. Have you sought relief from the Government?

Mr. HART. We have appeared down here before about every single committee. I have appeared before the Committee for Reciprocity Information. We have appeared before various other committees; also representatives of the New England fishing industry.

Senator MILLIKIN. Did you appear before the Torquay proceedings that are now going on?

Mr. HART. I have here a brief that was filed before the Committee for Reciprocity Information in May 1950 which goes into the matter in more detail.

Senator MILLIKIN. Is that in contemplation of the Torquay——

Mr. HART. It was prior to that, and the reason why we went down was to try to influence somebody in not getting the idea that they could consider for one single moment any further reduction in the present duty rates.

Senator MILLIKIN. These matters have been brought before various governmental agencies for a long period of years.

Mr. HART. I believe that they date back to 1946.

Senator MILLIKIN. The end point is that you have had no relief.

Mr. HART. We have had no relief. We feel that the Bailey amendment offers that ray of hope, and we hope, and most sincerely, that that amendment will be carried right straight through the Senate.

Senator KERR. Do you have a record of domestic production?

Mr. HART. You mean of groundfish fillets?

Senator KERR. Yes.

Mr. HART. I have here a record furnished by Fish and Wildlife Service headed, "Production of groundfish fillets from 1939 through 1950, 1949, to 1950 are estimated."

Senator KERR. What was 1939?

Mr. HART. 1939, the total production of fillets——

Senator KERR. Domestic, I am talking about.

Mr. HART. That is what I mean. The total poundage was 99,456,047 pounds. I might add that of that total, New England produced nearly 92,000,000 pounds of it.

Senator KERR. That was 1939?

Mr. HART. Yes, sir.

Senator KERR. What was it in 1945?

Mr. HART. 1945, the total production was—that is, the total United States production of groundfish fillets, 126,371,800.

Senator KERR. What was it in 1948?

Mr. HART. In 1948 it was 137,757,000.

Senator KERR. 1949?

Mr. HART. 1949 was 140,078,000.

Senator KERR. What was the estimate for 1950?

Mr. HART. Your estimate for 1950, 39,000,000. I venture to say that in that estimate—we were shut down for 11 weeks.

Senator KERR. You were shut down in 1950 for 11 weeks on account of labor trouble.

Mr. HART. That is right.

Senator KERR. That is nearly 3 months, nearly a full quarter.
Mr. HART. That is right.
Senator KERR. And during the 41 weeks in 1950, the estimate is that domestic production was 137,000,000.
Mr. HART. Would you repeat that statement again?
Senator KERR. I was just repeating what I thought you told me that the estimate for 1950 was 137,000,000.
Mr. HART. That is right, of the entire—no, the estimate for 1950 was 139,000,000.
Senator KERR. 139,000,000 pounds.
Mr. HART. And that was for the entire country, you understand.
Senator KERR. For the United States.
Mr. HART. That is right.
Senator KERR. That is what all of those figures were?
Mr. HART. That is right. I just mentioned New England before because New England produces, for instance, the estimate for 1950, of the estimate for the entire country, New England will produce 132,000,000 of it.
Senator MILLIKIN. I would like one piece of information to satisfy my curiosity. Why isn't there a larger fishing business on the Pacific coast? Is it that the fish just are not there, or what is the point?
Mr. HART. I can't answer the question. They do some filleting on the Pacific coast, I know.
Senator KERR. The tuna is canned?
Mr. HART. Tuna is canned; the salmon is canned; the pilchards are canned. I believe you have a west coast witness here this afternoon who can give you that information.
Senator KERR. Thank you, Mr. Hart.
Mr. HART. Thank you very much, gentlemen.

STATEMENT OF RADFORD HALL, ASSISTANT EXECUTIVE SECRETARY, AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION

Mr. HALL. Mr. Chairman. My name is Radford Hall. I am assistant executive secretary of the American National Cattlemen's Association with offices in Denver, Colo. Affiliated with the American National Cattlemen's Association are all of the State commercial cattlemen's associations of the 17 Western States, except Oklahoma, where there is no State organization, plus the State organizations in Louisiana, Georgia, Alabama, Mississippi, and Florida, and approximately 100 local, county, and regional organizations.
I come here today to present to you the considered judgment of this 54-year-old organization of commercial beef cattle producers on the proposed extension of the Reciprocal Trade Agreements Act.
Senator MILLIKIN. I would like to commend Mr. Hall to the serious consideration of this committee. He is a man of excellent reputation in his locality. We are glad to have you here.
Mr. HALL. You gentlemen have now been conducting hearings on this subject for many days and I am fully aware that many important matters are, of necessity, being laid aside while you conduct these meetings. My testimony will, therefore, be quite brief.
To state the position of the American National Cattlemen's Association, I will read Resolution No. 5 which was unanimously adopted

at the fifty-fourth annual convention in San Francisco, Calif., January 10 of this year:

> Whereas negotiations are in progress in England further to reduce the tariff on many imports of raw materials and manufactured products, under the Reciprocal Trade Act; and
>
> Whereas that act expires on June 12, 1951, and it is essential that any extension thereof should contain safeguards for American industry, labor, and agriculture; therefore be it
>
> *Resolved*, That we urge Congress so to amend any extension act as to prevent the lowering of duties to a point that will bring disaster to any segment of American industry, any group of wage earners or of agricultural producers.

In the beginning I would like to state that I am not here to complain of any general direct and immediate damage that is being done to the beef-cattle industry, as a whole, of the United States today, through the operation of the reciprocal trade agreements. However, instances of local hardship caused by temporarily overloaded markets are reported.

Necessary sanitary precautions, which preclude the importation of fresh or chilled beef or beef cattle from many countries, and the unprecedented national income, which is creating a tremendous demand for the available supply of meat, have created a situation in which, for the present, tariff rates on our products are not a critical factor in the national welfare of the American cattle producer. But we as an industry cannot hope to remain prosperous if reduced tariffs contribute to a decline of American industry and the labor it employs.

With consumer incomes at the present high levels there is sufficient demand for our meat to afford a good market for everything that is produced in this country and to care for any imports that are foreseeable in the immediate future. However, the situation has not always been so favorable and very likely it will not always be so in the future.

There have been times in the past, since the enactment of the reciprocal trade agreement legislation, when imports of fresh and canned meats have been a substantial and a considerable factor in the economy of the beef-cattle industry of the United States—for example, in the late 30's when such imports amounted to between 8 and 9 percent of the federally inspected slaughter.

At this point I would like to call attention to the fact that in the marketing of a perishable product such as meat an oversupply of even a small percentage has an over-all effect upon the entire economy that is entirely out of proportion with the actual amount of the oversupply.

Out in the West we illustrate that point in this manner: If a community has a market for 50 stacks of hay and there are 51 stacks of hay available, the owner of the extra stack sets the market for all 51 stacks in his effort to make a sale.

Senator KERR. Don't the owners of the 50 stacks ever get together and buy him out?

Mr. HALL. Of course, that is more or less a figure of speech.

Senator KERR. That was more or less of a hypothetical question, but it was more or less of a hypothetical situation. Go right ahead.

Mr. HALL. Meat is certainly one of the essential commodities to the preparedness program of our country and the industry is cooperating to the fullest extent in the present national effort to increase the supply of materials vital to the present defense effort and the threatened all-out war.

During 1950 a near record supply of 145 pounds per person was produced and made available, and in addition the cattle population was increased about 1,000,000 head from 80,277,000 head to 84,179,000 head. Predictions are that total cattle population may go over 90,-000,000 in the next few years.

Much of the increase is occurring in the far South where a switch from row crops to grassland agriculture and a rehabilitation of formerly worn-out farm lands is working a tremendous improvement in the outlook for the people as well as giving a boost to the conservation and upbuilding of the natural resources of that area.

In building the herds of the Nation and improving its pasture land, these cattlemen are foregoing a splendid opportunity for immediate cash profits in order to care for the future needs of our population.

In doing this they are subject to a considerable risk of great losses in case of a general economic turn-down with consequent reduction in consumer purchasing power.

At this point I would like to call attention to the fact that in the operation of the law of supply and demand in the marketing of meat, it is the demand that is largely the controlling factor. In 1935, production of meat, including Government emergency programs, was down to 14,427,000,000 pounds, and we had a glutted market and ruinous prices. Ten years later, in 1945, production was up to 23,-000,000,000 pounds, and butcher shops stood empty. Per capita consumption was 116.7 pounds at low prices in 1935 and 144.4 pounds at high prices in 1945.

Therefore, our greatest fear of the results of the reciprocal trade agreements is a crippling of the industry of the Nation, and from the recent vote in the House that fear is shared by many industrial areas. We are vitally interested in maintaining a healthy and prosperous labor group, for to them we must look for our market. Statistics show that for the last 35 years consumers have averaged spending, without deviating very much, 5.7 percent of their disposable income for meat.

Our contention is that the reciprocal trade agreements' principle has never truly been put to the test. Conceived in a time of deep depression when world trade was slowed to a walk, they were still untried and unproven when preparations for World War II stimulated activity all over the world irrespective of any tariff or lack of tariff. Then came the war and the accompanying world-wide commodities shortages that made tariffs of little consequence, and the unsettled and confused situation prevailing since then has certainly made any accurate appraisal impossible.

Despite that fact, throughout all the shortages and dislocations of normal world trade reciprocal trade agreements have been continually expanded until many thousands of items, reaching into every phase of our economy, are now included.

Therefore, it is our sincere contention that if the Reciprocal Trade Agreements Act is extended, the so-called peril-point amendment should most certainly be included. The vote in the House of Representatives of 225 to 168 proves that a majority of that body agrees in that belief, and we urge that the Members of the Senate concur. We do not believe that this amendment prevents Presidential authority to carry out any adjustments that can be justified.

We think it very important that these precautionary measures be taken in advance of the negotiation of future trade agreements and that it is equally important to include the "escape clause" provision to give American industry protection against inequities not foreseeable in advance.

We agree with the principles of the other two amendments made recently in the House because they seem to us to be just good sense.

In closing I would like to state that the historic policy of the American National Cattlemen's Association has been to support a tariff level that will protect American labor, industry, and agriculture during times of plentiful supply in relation to demand and yet will protect the consumer during periods of short supply by allowing imports to flow over a reasonable tariff wall.

The CHAIRMAN. Any further questions of Mr. Hall?

Senator MILLIKIN. I would like to express my personal appreciation for the witness' attendance.

Mr. HALL. Thank you very much, Senator Millikin.

The CHAIRMAN. Thank you very much, Mr. Hall, for your appearance.

STATEMENT OF L. B. McKINLEY, MANAGER, SCIENTIFIC INSTRUMENT SALES DEPARTMENT, BAUSCH & LOMB OPTICAL CO., ROCHESTER, N. Y.

The CHAIRMAN. Mr. McKinley, you may have a seat. Will you identify yourself for the record?

Mr. McKINLEY. My name is L. B. McKinley. I am manager of the scientific instrument sales department of Bausch & Lomb Optical Co., Rochester, N. Y. I am appearing in opposition to the proposed extension of the Reciprocal Trade Agreements Act, as passed by the House of Representatives in H. R. 1612.

On January 21 I appeared before the House Committee on Ways and Means in a similar role. Since the remarks I made at that time are available to all of you, I will try to summarize them briefly here and then attempt to expand a few points made there.

The Bausch & Lomb Optical Co., which was founded in 1853, is today the only fully integrated optical manufacturer in this country, producing optical and ophthalmic glass as well as a complete line of scientific optical instruments and ophthalmic products, including spectacle lenses and frames. The elimination of any one of these interrelated product lines would have a crippling effect on the company, and similarly, on the industry as a whole.

This industry is different in one major aspect from most other American industries. The nature of its products requires a very high degree of skilled manual operations. It is not an industry to which mass production techniques can be applied to any considerable extent. So far as we have been able to ascertain, basically the same manufacturing methods are used abroad as are used here, so that competition, from the standpoint of the cost of production, is primarily a direct comparison of the earnings of the American workman with the foreign workman. While we may have, and we hope we have, made some improvements in manufacturing processes over those used abroad, they are not, and from the nature of the opera-

tions involved cannot be, more than of limited importance, and do not compensate for the great difference in labor rates here and abroad.

In our factory, our skilled workmen average about $1.80 an hour as compared, for example, with about 12 cents an hour in Japan, 27 cents an hour in Italy, 34 cents an hour in France, and 37 cents in Germany. Obviously, since in the industry labor amounts to approximately 70 percent of production cost, such a differential in labor rates makes it virtually impossible to compete on any basis with foreign manufacturers without some kind of protection from the Government.

While it is apparent that the present tariff on scientific instruments cannot compensate for this differential, it does serve to some extent, at least, as an equalizing factor. Typical of what can happen when a tariff rate is cut is today's situation in regard to binoculars, on which the rate was cut in the 1948 Geneva agreement from 60 percent to 30 percent ad valorem.

In 1946, 75 percent of the binoculars sold in this country, priced at $12 or over and having a magnification of 5× or over, were of Bausch & Lomb manufacture.

In the same year Japanese sales here amounted to less than 1 percent. In 1949 it is reported that over 58,000 binoculars were imported from Japan with an aggregate sales value to United States dealers of about $1,490,000, or an average of $26 per unit.

In the same year we sold 6,090 binoculars at an average price of $114.50, for a total of $697,000, our share of the market dropping to 23 percent.

In 1950 our binocular sales dropped to 5,853, totaling $656,000, and Japanese imports rose to 69,000 for the first 11 months.

These price differences are almost fully accounted for by the difference in domestic and foreign labor rates. For example, we have estimated that, could we adjust our direct labor rates to the Japanese level, using all other present actual cost elements, we could put our 7 × 35 binocular in the dealers' hands at $23.50, as compared to the present Japanese price of $37.50 and our actual price of $108.50. The consumer price, including excise tax, of this Bausch & Lomb glass, is $186.

The CHAIRMAN. That is a 20-percent tax?

Mr. MCKINLEY. Twenty percent tax, yes, sir.

The Japanese glass has been variously quoted at $60 to $68. Using Japanese labor rates, our price to the consumer could be $40 and leave us the same percentage of profit.

Senator MILLIKIN. In terms of quality, is the Japanese glass competitive?

Mr. MCKINLEY. That is hard to say.

Senator MILLIKIN. Of course, you feel vou are making the best glass, but from the notion of the customer, does he think he can get along as well with Japanese glass?

Mr. MCKINLEY. That ought to be self-evident. He bought 69,000 of them in 11 months, but actually there are six companies making binoculars in Japan, and some of these answering our specifications. Some of them would not even get in the back door. They range in all ranges from the top to the bottom.

Senator KERR. Of the 69,000 sold, was the greater percentage of the better quality?

Mr. McKINLEY. We have no means of finding out. Shall I proceed?

The CHAIRMAN. Yes; you may proceed.

Mr. McKINLEY. While the 60-percent tariff rate would not have compensated for this difference, we believe that cutting the rate has given impetus to Japanese manufacture, to the great detriment of this American industry.

Although the binocular situation is the worst one we face today, there is every indication that other instruments will be similarly affected in the near future, certainly if their manufacture abroad is given further impetus by a reduction in tariff rates. Already it appears that the ratio of imported microscopes to our total microscope sales, both in units and dollars, will be greater in 1950 than it was in 1939. Since 1948 foreign imports of microscopes have increased over 300 percent, while domestic exports have dropped about 50 percent in the same period.

Senator KERR. What part of your business consists of the manufacture and sale of binoculars?

Mr. McKINLEY. I might say that of the total business of our company, about a third of it is scientific instruments, and it is about an eighth of the scientific instrument end—binoculars.

Senator KERR. A binocular is about an eighth of the scientific instrument——

Mr. McKINLEY. Scientific instruments division, which is about a third of the company.

Senator KERR. And scientific instruments is about a third?

Mr. McKINLEY. That is right.

Senator KERR. An eighth and a third is about 24 percent of the total business?

Mr. McKINLEY. That is right.

Senator KERR. Thank you.

Senator MILLIKIN. What about domestic consumption—the relation of those imports to our own consumption?

Mr. McKINLEY. Our own consumption before Korea had started down to the place—I will try to cover some of the labor statistics on that, Senator. I think that will answer it. I hope so.

The CHAIRMAN. All right.

Mr. McKINLEY. Under such circumstances, it must be obvious that the industry could not retain its skilled workers. The experience of Bausch & Lomb in the past year is typical of what can happen under the present Government tariff policy. In normal times our company employs roughly 5,000 at its Rochester factory. In June of 1950, largely because of the competition of foreign made products, our total employment had fallen to somewhat over 3,600. In our scientific instrument manufacturing division the direct labor load had fallen 37 percent below the 1939 level. We were forced to lay off hundreds of our skilled workmen whom it had taken many years to train. Yet, since the outbreak of the Korean War, we have been flooded with requests to manufacture many types of defense matériel.

Some few of these we have undertaken, but only in limited quantities. It is impossible for us to expand at the rate that would be necessary were we to accept a major part of any defense program.

For instance, we understand that optical-glass requirements for Army Ordnance purposes alone are over 300 percent of our present capacity. Since last October we have been negotiating with the

Frankford Arsenal in regard to its range-finder program for the T-41 tank. The magnitude of their initial request to us was such that it would have required expansion of our entire plant facilities to a point that seemed to us to be almost ridiculous.

While we have now agreed on the number of range finders we can produce, we still have not been able to enter into a definitive contract, largely because of restrictive policies adopted by the fiancial officers of the Defense Department. At the same time, we have been requested to assist in training other companies in the manufacture of optical instruments. This we are able to do to a limited extent even though the problem of training our own new people is a major one.

Not only did such cut-backs in our labor force greatly hinder any rapid expansion in this emergency, but it has also made it necessary for us to reduce our engineering and research staff to a point where, for at least the immediate future, we may well experience considerable difficulty in doing any additional major development work for the military.

Obviously, even the maintenance of present tariff rates is not the entire solution to our problem. Much more is needed if this vital industry is to be kept on a basis where it can expand quickly in an emergency. We believe that the policy adopted by other countries toward their optical industries is ample evidence of their importance.

In Germany the industry has been state-supported since the time of Bismarck.

In Italy, the scientific instrument industry was created by Mussolini as a Government trust, operating under the name "Officine Galileo," and Russia, having taken over the Zeiss plant in Jena, is, from all reports, proceeding as rapidly as possible to develop the industry.

Great Britain, we feel, however, has developed the best means of protection for the industry. In the first place, although traditionally a free-trade country, she has placed scientific instruments in the highest tariff bracket. In addition, and much more effective, in 1939 the Import-Export and Customs Powers (Defense) Act was passed giving the Board of Trade power to license importation of key industry items. Under this act, all requests for importation of scientific instruments must be submitted to the Board for a license. The Board then canvasses the domestic manufacturers to ascertain if similar items are produced in Britain. If not, one of the domestic manufacturers is asked to produce the same from submitted blueprints and specifications. Such a procedure clearly gives the industry the protection it needs, and, we understand that, although it was originally adopted as a wartime measure, it is still in effect.

We are not aware that such legislation has ever been considered in this country. Nevertheless, we feel that if the industry is to survive on a healthy basis, something like it is going to have to be enacted in the near future. The only slightly similar legislation which we do have is the so-called Buy American Act, under which all Government purchases must be made from domestic manufacturers unless the price of the domestic article is unreasonable.

In 1934 a regulation was issued under this act to the effect that if the price of the domestic article was 25 percent more than that of a foreign-made one, it was deemed to be unreasonable. That 25-percent differential still stands today and we feel that it is substantially mean-

ingless so far as our industry is concerned, because while foreign labor rates have not risen to any great extent since 1934, ours have more than doubled. In fact, our figures indicate that the spread between our rates and those paid in European countries has increased over 330 percent since 1937. Obviously, even if the 25-percent differential were adequate in 1934, it is not adequate now.

Government purchases of Italian microscopes in the past year demonstrate the fallacy of continuing the 25-percent differential under this act. In January 1950, the Armed Services Medical Procurement Agency requested bids on 162 binocular laboratory microscopes, which have been designated as the standard medical instrument for the armed services. We bid $409.50 per instrument, which is our lowest dealer price. The award was made, however, to Opplem Co., an importer, their price being $319.50 and being based on supplying Italian microscopes manufactured by Officine Galileo, the Mussolini-created trust.

In November a similar award was made for 50 Italian microscopes and bids are open now for 103 more.

On the latter, we have bid $420.70, and the Italian instruments have been offered at $329. We understand that this award will be made to the importer, since the procuring agency has taken the stand that its hands are tied by the 25 percent differential. We have vigorously protested this award to the Secretary of the Army, pointing out that the Italian instruments do not come up to Army specifications, that they cannot be serviced as well as American models, and that replacement parts and accessories will not only not be interchangeable but may very well be unobtainable. We do not anticipate a favorable reply to our letter, because of the difference in price.

While we are very much opposed to any extension of the Reciprocal Trade Agreements Act as it affects our industry, the present bill as passed by the House does contain one saving grace: the escape clause. The act itself does, of course, contain such a clause to the effect that any tariff concession can be withdrawn if it has caused serious harm to a domestic industry. However, the procedure under that clause has been relatively ineffective. The language in the House bill leads us to believe that much more effective relief will be obtainable because the Tariff Commission will be able to act on its own motion and because the facts on which it bases its decision will be made public.

In summary, we cannot urge too strongly the necessity for taking definite steps to protect this industry. While tariff protection is not the complete answer, it is a step in the right direction. The failure to extend the present act would certainly serve notice that our Government recognizes the importance of the domestic industry and might well deter foreign manufacturers from planning to take over the American market.

The CHAIRMAN. Any questions?

Senator MILLIKIN. If you should get into war business and thus not have the opportunity to develop as far as you can your domestic business——

Mr. MCKINLEY. I didn't get the first.

Senator MILLIKIN. If you should be pushed further and further into the war business and thus have your domestic business curtailed, and if these imports continue to come in from the countries that were not making the same war effort, that would make it more difficult to

recapture your market after we get over our own emergency, would it not?

Mr. McKINLEY. That is right. I might make one statement that I made before the Ways and Means Committee: That the military people have asked us for such products on military alone that they would cause an expansion of our plant of 40 times.

The CHAIRMAN. If there are no further questions, we thank you for your appearance.

STATEMENT OF DONALD P. LOKER, GENERAL MANAGER, HIGH SEAS TUNA PACKING CO., INC., SAN DIEGO, CALIF.

The CHAIRMAN. Mr. Loker, you may have a seat. Please identify yourself for the record.

Mr. LOKER. Mr. Chairman, members of the committee, my name is Donald P. Loker. I am general manager of the High Seas Tuna Packing Co., Inc., San Diego, Calif., but I am appearing here on behalf of the California Fish Canners Association, Inc., a voluntary trade association whose members pack approximately 85 percent or more of all tuna and tuna-like fishes (bonito and yellowtail) canned in the United States, more than 70 percent of all California sardines (pilchards), and substantial quantities of mackerel.

I am submitting as exhibit A a complete list of the names and addresses of the members of the California Fish Canners Association, Inc., but will not, however, take the time to read this list.

I am speaking here not only as a representative of management, but also on behalf of labor, and attached to my statement as exhibit B is a letter from James Waugh, president, Cannery Workers Union of the Pacific, San Pedro, Calif.; and as exhibit C, a letter from Anthony D. Sokolich, secretary of Fishermen and Allied Workers of America, San Pedro, Calif.; and I am also authorized to speak for Lester Balinger, secretary, A. F. of L. Cannery Workers and Fishermen, San Diego, Calif.

The members of the California Fish Canners Association, Inc., operate more than 20 canneries at various locations in California, primarily in the southern part of the State, in which they pack many fisher products including canned tuna and tuna-like fish, sardines and mackerel; but our present concern in this presentation is tuna.

Tuna is also packed in Monterey and San Francisco, Calif., in Washington and Oregon in the Pacific Northwest, in Maine, Maryland, Massachusetts, and South Carolina on the Atlantic coast, and in the Territory of Hawaii.

In addition to my direct representation of the California Fish Canners Association, and the related labor and fishermen's organizations, I, as chairman of the Fishery Products Committee of the National Canners Association, appear on behalf of all fish canner members of that organization—canners of such fishery products as sardines, shrimp and salmon, around the entire coast of the United States, and Alaska and Hawaii.

In addition, exhibits D, E, F, G, I, and K are statements from other organizations authorizing me to present my point of view as theirs.

If I may digress for a moment, I would just like to read whom exhibits D, E, F, G, I, and K are from. Exhibit D is from the Fisher-

men's Cooperative Association, which is a cooperative of fishing boat owners in San Pedro, signed by the secretary, John J. Real.

E is a long wire from Moses B. Pike, who is president of the Maine Sardine Packers' Association.

F is a wire from Tom Holcombe, president of the National Shrimp Canners and Packers Association in the Gulf.

G is a teletype from E. D. Clark authorizing me to appear on behalf of all the great salmon industry in the Northwest and Alaska.

I is a wire from S. A. Ferrante, who is president of the Monterey Fish Processors Association in Monterey, Calif.

K is a wire from Harold Cary, head of the American Tunaboat Association in San Diego, Calif., which is the association of tuna clipper owners in the great Southwest.

Thank you very much for allowing me to do that.

Regardless of the broad area over which the industry operates, we recognize that by comparison with the automotive industry, railroads and others, we are relatively small. Nevertheless, we are important in the whole economy of the United States and are the oldest commercial industry in the country.

In many communities the fishing industry provides the sole means of earning a livelihood. Anything that impedes that livelihood by adversely affecting the production of fish in these communities would have disastrous consequences on the entire population and could result in the economic destruction of whole areas.

As examples of such communities, I cite such places as the ports of San Diego, Monterey, and Los Angeles in California; Gloucester in Massachusetts; and practically all of the coastal communities in Maine.

Now I would like to give you some idea of the monetary importance of the entire fish canning industry by reference to the size and value of the southern California industry alone.

The capital investment in canneries and in boats supplying fish to the tuna, mackerel, and sardine canners of southern California is estimated to be in excess of $100,000,000 and the annual payroll at present wage scales is in excess of $11,000,000.

This latter figure does not include the wage factor in the $62,000,000 cost of raw fish purchased by the canneries in 1950, of which over 50 percent was paid directly to the fishermen as their earned share.

Senator MILLIKIN. Do they work on a sharing basis?

Mr. LOKER. Yes, sir. The tuna clippers and the per seiners both are on strictly a share basis. There is a little difference in the sharing. The per seine fishing get a larger proportion of the 100 percent than the tuna clipper fishermen do.

Senator KERR. That sharing by the men who do the fishing is in vogue approximately all around the continent, is it not, in practically all of the fishing industry?

Mr. LOKER. I think so, yes. I am not familiar with all around the continent, but I know in the Northwest they call it a lay, which is the same thing as we call a share.

Incidentally, Senator, you were speaking of samples, not knowing quite what the product was that was produced in this great country of ours, may I have the honor and privilege to submit as exhibit Z a case of tuna which I would like you gentlemen and the ladies in the

next office, and so forth, to take home and try as a sample of the tuna we pack out in California.

You will see that it is Starkist Brand, which happens to be our brand, but there is no intention, I assure you, to make an advertising push here.

Senator KERR. Any connection between that and its value as evidence is purely coincidental?

Mr. LOKER. That is right, sir, purely coincidental.

The CHAIRMAN. We will be happy to try it.

Mr. LOKER. Thank you very much.

Senator KERR. Is it albacore, yellow fin, blue fin, skipjack, or just tuna?

Mr. LOKER. This is yellow fin, tuna is to a great proportion yellow fin. Albacore is what we call white meat tuna. That is a little higher priced. This is yellow fin.

Senator KERR. No better quality?

Mr. LOKER. No, sir. It is just the color.

Senator KERR. I will say, Mr. Chairman, that I think the approach of the witness from California is very effective.

Mr. LOKER. The total production of the fishing industry in California, which is created wealth from a natural resource, is shipped to all parts of the country and has a total value in excess of $200,000,000.

You can readily see, Mr. Chairman and members of the committee that the California fishing industry is really a big small business, even without taking into account the many related industries such as shipyards, ship suppliers, netting manufacturers, metal and fiber container producers and many others.

The industry not only stands fourth in the State of California but is important as a supplier of essential nutritious protein food in time of peace and war, and as a reservoir of vessels and trained seamen, always ready for call by the Navy and Coast Guard in time of national emergency.

It may interest you to know that during World War II the Navy took a large part of our fleet of tuna clippers for use in the Pacific and they liked them so well for work among the islands of the Pacific that they built 30 additional vessels of the same type and size.

During the years since 1945, the members of the California Fish Canners Association, and of the other organizations for which I speak, have been increasingly concerned with the effect of the reciprocal trade agreements program on our particular industry, but though we have been increasingly concerned about the effect of the reciprocal trade agreements program on our prosperity during these years, we have refrained from opposing the principle of reciprocal trade agreement negotiation and the so-called most-favored-nation policy, in the belief that as a general rule, such programs and policies might be of benefit to the national economy and that special situations such as our own could be taken care of by executive action.

However, after 6 years of futile effort before various governmental committees, trying to correct a profound lack of understanding of the problems of our industry, we have come to the conclusion that our experience, along with the historical record of many other industries in this country suffering like treatment, proves that such a program is not helpful to the national economy and that we must henceforth oppose

vigorously any further authorization by the Congress of a continuation of the reciprocal trade agreements program as it has heretofore existed.

We are not taking this position arbitrarily, however, and if the Congress will provide in the act itself the necessary safeguards to protect industries such as ours, we would have no further objection to the continuation of the program.

We have learned by experience, however, that the inclusion of the safeguards necessary to protect such industries as ours is always bitterly opposed by those who really are arbitrary—by those who insist the act should be extended as is, with absolutely no statutory protection for industries of this type, which are peculiarly vulnerable to increased imports.

It was the intent of Congress that any person who might be affected by a proposed trade agreement should have an opportunity to present his point of view; and that evidence as to the effect of the proposed action would be considered when deciding whether and to what extent an agreement should be negotiated.

This intent has not been accomplished. The public hearings before the Committee for Reciprocity Information are a farce and we feel certain that the officials who take the testimony at such hearings have little voice in arriving at recommendations to be made to the President.

We further believe that those who actually do make the recommendations never discuss them adequately with the officials who take the testimony, never read the briefs submitted, and make the final recommendations on the basis of considerations other than those submitted by witnesses affected by the proposed action.

For lack of a better description of the considerations on which final recommendations are based, let us call them "diplomatic considerations" or "international politics." We have reason to believe that in many cases, these "diplomatic considerations" are the only determining factor and that they existed and the decision as to action to be taken in their regard had been made far in advance of the public "hearings."

For proof of this I need only cite to you the testimony of Winthrop G. Brown of the Department of State, on pages 92 to 100 of the transcript of the hearing before the House Committee on Ways and Means on January 26, while H. R. 1612 was under consideration. In response to questioning by Congressman King, Mr. Brown substantially admitted that these assertions were true.

I would like to call attention if I may to this insert, which is a photostat of the passage between Mr. King and Mr. Brown, and I think you gentlemen will find it exciting reading.

(The photostat referred to pp. 92–98 of hearings before the House Ways and Means Committee January 22, 24, 25, and 26, 1951, on 1951 extension of the Reciprocal Trade Agreement Act is on file with the committee:)

Senator MILLIKIN. From the time you submit your case to these information committees, you do not know what is happening to that case, do you?

Mr. LOKER. Never.

Senator MILLIKIN. It is complete secrecy, is it not?

Mr. LOKER. So far as we are concerned it is complete secrecy.

Senator MILLIKIN. If the gentlemen who were on that panel and heard you gained an erroneous impression, you have no chance to correct it, have you?

Mr. LOKER. No, sir.

Senator MILLIKIN. If in the further consultations that go on departmentally, erroneous impressions are gained, you have no chance either to know it or correct it, is that correct?

Mr. LOKER. That is correct.

Senator MILLIKIN. When you appear before those committees you do not know the level of tariff concession that they may be aiming at so you are shooting in the dark, are you not?

Mr. LOKER. Yes, sir.

Since 1946 it has been necessary for representatives of our association to appear on the matter of imports of fishery products before the Committee for Reciprocity Information three times, before the Tariff Commission once, before the House Committee on Ways and Means once, and before a special session of the House Committee on Merchant Marine and Fisheries once.

It has been necessary for us to prepare and submit innumerable briefs and statements, not only in conjunction with the above-mentioned hearings, but at other times as well.

Such personal appearances are time-consuming and expensive. Preparation of the necessary briefs and accumulation of data to support the briefs is also time-consuming and expensive.

We are businessmen and must attend to the everyday running of our business if it is to survive and prosper and do the job of supplying the people of this Nation with the food they need, but those in charge of the trade agreements program do not appear to realize what their proposals require of us in the expenditure of time, money and business neglect. All of this expense must be included in the cost of our product.

Nevertheless, had these expenditures of time, money and neglect of business in the past achieved their objective, it would have been worth while to our industry and the consumers, and we would not now be pleading our cause before your committee.

Unfortunately they did not, and our industry today faces the threat of further tariff reductions on many items and the threat of loss of our domestic market for canned tuna because of imports of that product from foreign countries and particularly Japan.

Let me tell you about tuna for a moment. It is a perfect illustration of what the entire fishing industry has been up against.

The tariff on tuna which had been at 45 percent ad valorem since January 1934, was reduced to 22½ percent in 1943, as the result of a trade agreement negotiated with Mexico. This tariff concession was negotiated with a country that had never, except in one previous year, 1942, exported any canned tuna and this rate remained in effect until the Mexican Trade Agreement was canceled by mutual agreement.

As a result of the cancellation, the rate returned to 45 percent on January 1, 1951.

In the menatime, however, tuna imports had reached gigantic proportions. Peru, largely as a result of financial and technical assistance provided by the Foreign Economic Administration and Lend-Lease during the war, had developed a tuna and bonito canning industry.

Japan, which prior to the war had been the principal supplier of tuna, again commenced shipping tuna into the United States in 1948,

and steadily increased its exports to the United States until in 1950 it shipped nearly 32,000,000 pounds out of a total of 36,000,000 of tuna imported into this country.

Peru, while far behind Japan, is the second largest exporter, and Mexico still ships practically none.

We wish to emphasize that this misapplication of the theory of reciprocal trade did not in the slightest help Mexico, almost a nonsupplier, but did put Peru and Japan in business at the expense of our American industry.

Let me point out that in 1 year, from 1949 to 1950, imports increased from a ratio of 4 percent of domestic production to 20 percent of domestic production.

Senator MILLIKIN. Is it true that Mexico in no true sense could be considered as a principal supplier now?

Mr. LOKER. Impossible, that is right, sir.

Senator MILLIKIN. And that it never has been; is that right?

Mr. LOKER. It has never been a principal supplier, no, sir.

Prior to World War II, the greatest quantity of canned tuna ever shipped to the United States in any one year was 14,000,000 pounds. We attach for your information as exhibit H a table showing domestic production and imports from 1933 to date.

During the year 1950, because of these tremendous imports, California tuna canners were repeatedly forced to refuse deliveries from the fishing fleets and it has been estimated that over 30 percent of the effective fishing time of the fleets was lost because the boats remained in port due to the canners' inability to accept delivery.

This condition is easily explained. Our market, the only market in the world for canned tuna, incidentally, gentlemen, because we are the only market in the world that can afford to buy it, actually—the only market in the world for canned tuna, was glutted with Japanese fish with which we could not compete.

And the reason for this is quite simple: our present minimum cannery wage is $1.65 per hour, while the Japanese wage is 30 to 50 cents per day. Our raw tuna costs us $310 a ton and in Japan it costs approximately $100 a ton.

I would like to digress for just a moment if I may and substantiate this last paragraph. Two years ago this spring I had the privilege of being included in a three-man commission which was sent by the administration to Japan to advise MacArthur on the fishery potential of the Japanese Islands—Honshu, Kyushu and Shikoku.

We went to every tuna cannery in Japan, and the other canneries too, but we are interested in tuna here, of course, and I kept a very careful diary.

At that time the yen was 365 to the dollar—the exchange—and the average pay for the people working there was 100 to 130 yen a day. That was their average pay, which as you can see, amounts to 30 cents a day. So I just wanted to substantiate that statement. It might appear a little far-fetched, but it is true.

And it should be borne in mind that the relief, such as it may be, granted to the tuna industry by the denunciation of the Mexican agreement, resulted from efforts to protect another industry and not because of the plight we were in.

We were the accidental beneficiaries of an action taken to protect a much stronger group, and this fortunate windfall is the only thing that is permitting us to stay in business.

That explains in part why we have come to the conclusion that we must oppose any further extension of the trade agreements program as it has heretofore existed.

Senator MILLIKIN. What was this group you were referring to?

Mr. LOKER. This accidental beneficiary clause?

Senator MILLIKIN. Yes. You are the accidental beneficiary, but who was it designed for?

Mr. LOKER. I believe it was designed in behalf of the oil industry because of imports from the Mexican mainland.

Now let me tell you how we feel about H. R. 1612, the bill presently before your committee. This bill, as passed by the House, is definitely a step in the right direction and I am here to urge your committee to report it favorably, as it is, to the Senate.

We have studied the bill and while it may be necessary to come before you in later years to ask for some further consideration, we feel that this bill at least provides the minimum safeguards necessary to foster the health and prosperity of our business.

Cutting through the necessarily involved language of the bill, we understand that among other things, it requires the Tariff Commission to investigate the situation with respect to any commodity concerning which a trade agreement may be negotiated and to report to the President the point below which a tariff reduction will cause serious injury to domestic industry and whether tariff increases or other restrictions are necessary to avoid such resulting harm. We maintain that this provision is of primary importance.

We understand the bill also provides an escape clause with necessary criteria and definitions which should be far more practicable than the so-called escape clause to be found in some of the presently existing trade agreements.

This is a most desirable feature. There are, however, some additional provisions that we would like to see in any trade agreements extension legislation, although we do not urge them now.

I might say that that "urge" is an understatement. We would like them very badly. We merely wish to mention them for the record and for your future consideration.

These are:

1. That the Trade Agreements Extension Act should contain a provision that would prevent the negotiation of a new rate of tariff, or binding of the existing rate, on a commodity for at least 5 years after the rate has changed either upward or downward, unless negotiation is requested by the domestic industry. In some special situations, an even longer period might be advisable. We think this would be wise in order better to gage the effect of a tariff change over a normal period.

2. That any trade agreement be negotiated only with the country which historically has been the principal supplier of such commodity; that any other nation in order to obtain the benefit of this same concession must give some definite concession in return and that no concession be extended to any nation which has not participated either in a multilateral or bilateral agreement.

3. That whenever a trade agreement on a commodity is negotiated it be mandatory that qualified representatives of the industry be included in the official delegation, either as delegates or advisers.

The reason for this last suggestion is clearly illustrated by the current negotiations in Torquay, England, where many fishery products are listed for negotiation, but not one single member of the delegation has any knowledge of, or experience in, the fishing industry or its problems.

And as a further illustration, even our requests that an employee of the Fish and Wildlife Service of the Department of the Interior be included in this delegation have been denied.

Senator MILLIKIN. Was there any reason given for denying that last request you mentioned?

Mr. LOKER. No, sir. It was denied but we do not know the reason for it.

These facts, gentlemen, along with all those preceding, are the reasons why I have come to Washington to appear before your committee, and such appearance is a privilege that is keenly appreciated on our part.

On your part, we only ask that you give every consideration to our story and to our appeal for a favorable report on H. R. 1612 as it now is before you.

Thank you, gentlemen.

(The exhibits previously referred to are as follows:)

EXHIBIT A

MEMBERS OF THE CALIFORNIA FISH CANNERS ASSOCIATION, INC.

California Marine Curing & Packing Co., Terminal Island, Calif.
California Marine Packing Co., Newport Beach, Calif.
Coast Fishing Co., Wilmington, Calif.
Franco-Italian Packing Co., Terminal Island, Calif.
French Sardine Co., Inc., Terminal Island, Calif.
High Seas Tuna Packing Co., Inc., Point Loma, San Diego, Calif.
Southern California Fish Corp., Terminal Island, Calif.
South Coast Fisheries, Terminal Island, Calif.
South Pacific Canning Co., Long Beach, Calif.
Terminal Island Seafoods, Ltd., Terminal Island, Calif.
Van Camp Sea Food Co., Inc., Terminal Island, Calif.
West Coast Packing Corp., Long Beach, Calif.
Westgate-Sun Harbor Co., San Diego, Calif.
Western Canners Co., Newport Beach, Calif.
San Diego Packing Co., San Diego, Calif.
California Tuna Canning Co., San Diego, Calif.

EXHIBIT B

CANNERY WORKERS UNION OF THE PACIFIC, A. F. OF L.,
LOS ANGELES COUNTY HARBOR DISTRICT,
Terminal Island, Calif., February 23, 1951.

Mr. DON LOKER,
National Canners Association, Washington, D. C.

DEAR MR. LOKER: The trade agreements extension bill (H. R. 1612), as passed by the House of Representatives, recognizes the dangers of imported tuna to the home industry, and offers one of the best opportunities available to the southern California tuna industry for relief from such imports.

As you know, the southern California fishing and canning industry is presently in serious economic jeopardy because of the inroads which cheap foreign tuna has made on the United States consumer market. The trade agreements extension bill passed by the House offers the strong promise of real and lasting relief from this threat.

In view of the fact that passage of H. R. 1612 is vitally important to this organization, please accept this letter as official authorization to represent the

Cannery Workers Union of the Pacific, AFL, Los Angeles Harbor district, before the Senate Finance Committee hearings on this subject.

Knowing how important passage of the above measure is to our people and to the entire southern California fishery industry, I'm certain that your appearance before the committee on our behalf would be of immeasureable value.

Very truly yours,

JAMES WAUGH, *President.*

EXHIBIT C

FISHERMEN AND ALLIED WORKERS DIVISION, ILWU, LOCAL 3-33,
San Pedro, Calif., February 23, 1951.

MR. DON LOKER,
Care of National Canners Association, Washington, D. C.

DEAR MR. LOKER: Consider this letter an authorization to represent us before the Senate Finance Committee in strongly endorsing the trade agreements extension bill, H. R. 1612.

Very truly yours,

ANTHONY D. SOKOLICH, *Secretary-Treasurer.*

EXHIBIT D

SAN PEDRO, CALIF., *February 26, 1951.*

You are authorized to testify on our behalf before Senate Finance Committee re Trade Agreement Extension Act (H. R. 1612) as same passed House.

FISHERMEN'S COOPERATIVE ASSOCIATION.
JOHN J. REAL.

EXHIBIT E

EASTPORT, MAINE, *February 26, 1951.*

DONALD P. LOKER,
Chairman, Fisheries Advisory Committee,
National Canners Association:

This wire is your authorization to represent the Maine Sardine Packers Association at the forthcoming Senate hearing on the extension of the Reciprocal Trade Act. The Maine sardine packers are particularly concerned with the effect of Canadian competition upon this industry to date, due to conditions, principally fish, the volume of Canadian imports have not been great but the effect upon our market in a number of cities has been severe, out of all proportion to the volume. Paragraph 718A applies a step rate to sardines in oil, the ad valorem duty rate increasing with a decrease in value. The advance in recent years in packing costs puts imported sardines into a bracket which means a low rate of duty upon even the cheapest grades. The other paragraph affecting us is 718B, which applies a straight ad valorem duty to sardines in sauces other than oil. The apparent intent of Congress to have these duties applied to sardines is largely nullified by the use and application of paragraph 1615A, act of 1930, which was passed, we are informed, to permit the use of reusable American steel drums without the payment of duty. This has now been stretched into the exemption from duty of a sardine can which has to be opened with a can opener and is anything but reusable. The distortion of above paragraph 1615A, act of 1930, greately increased the impact of the reciprocal trade treaties upon the Maine sardine industry. We strongly feel that the protective amendments to this proposed extension which were adopted by the House of Representatives are the very minimum which may allow us to protect this industry and obtain redress for injustice. We, therefore, ask you not to weaken these amendments in any way if the Reciprocal Trade Act is extended.

MAINE SARDINE PACKERS ASSOCIATION,
MOSES B. PIKE, *President.*

EXHIBIT F

HOUMA, LA., *February 23, 1951.*

DON LOKER,
Care of National Canners Association, Washington, D. C.:

We authorize you to testify in our behalf on the trade agreements extension bill as passed by House.

NATIONAL SHRIMP CANNERS AND PACKERS ASSOCIATIION,
T. B. HOLCOMBE, *President.*

EXHIBIT G

E. D. Clark to Charles Carry, February 27, 1951.
Re matter Don Loker's testifying on Trade Extension Act at hearings beginning tomorrow.

Coordinating committee, representing the three trade associations of the industry and all phases of the American salmon canning industry, authorizes Loker appear in behalf of salmon canning industry to testify on general provisions of H. R. 1612, as amended, particularly in favor of escape clause provision, peril point provision, and provision barring Russia and its satellites from any tariff concessions directly or indirectly in any future trade agreement.

EXHIBIT H

United States production and imports of canned tuna and bonito, 1933–50

[All figures in thousand pounds]

Year	Tuna			Bonito	
	United States production	Imports, all countries	Imports, Japan only	United States production	Imports, all countries
1950	[1] 184,000	36,409	31,809	1,457	8,135
1949	138,645	4,584	1,792	3,197	8,054
1948	132,157	8,288	645	7,483	[2] 306
1947	108,506	6,148		8,939	
1946	93,888	3,851		3,757	
1945	87,240	5,252		1,789	
1944	69,133	3,163		583	
1943	53,973	511		2,325	
1942	50,721	412	22	1,597	
1941	53,695	3,332	1,785	7,493	
1940	95,867	6,708	5,538	8,880	
1939	82,009	10,126	7,764	4,518	
1938	60,296	7,192	4,872	4,836	
1937	70,304	11,053	9,802	4,303	
1936	57,973	6,843	5,866	5,304	
1935	54,617	8,185	7,113	(3)	
1934	45,538	8,266	3,315	(3)	
1933	32,563	14,382	14,219	(3)	

[1] Estimated.
[2] Not reported separately until May 1948. Previously included with tuna.
[3] Not available.

Source: U. S. Fish and Wildlife Service and Department of Commerce.

EXHIBIT I

MONTEREY, CALIF., *February 27, 1951.*

DON LOKER,
Care Charles R. Carry, National Canners Association, Washington, D. C.:

You are requested to inform Senate committee that the majority of our association members endorse the position of your association for passage of H. R. 1612 as amended. This position on our part is consistent with appearance before the committee for reciprocity information on June 7, 1950.

MONTEREY FISH PROCESSORS ASSOCIATION.
S. A. FERRANTE, *President.*

EXHIBIT K

SAN DIEGO, CALIF., *February 28, 1951.*

DONALD P. LOKER,
National Canners Association, Washington, D. C.:

We favor approval by the Senate Finance Committee of H. R. 1612 as amended by the House of Representatives. We believe that the amendments made a part of the bill impart needed strength to the Reciprocal Trade Agreements Act and are calculated to serve the best interests of the majority of the American people.

AMERICAN TUNABOAT ASSOCIATION,
H. F. CARY.

Senator MILLIKIN. I would like to ask the witness: What is the status as to crab meat on the Pacific coast?

Mr. LOKER. Of crab meat on the Pacific?

Senator MILLIKIN. Do you not can crab meat on the Pacific coast.

Mr. LOKER. Yes sir.

Senator MILLIKIN. What is the situation competitively?

Mr. LOKER. I would say in Alaska they get the king crab and they can that. On the Pacific coast in southern California where we are the crab meat is mostly from Mexico—from the Mexican peninsula Baja California.

The CHAIRMAN. Do you can any shrimp?

Mr. LOKER. Shrimp is canned to a certain extent but that is primarily canned in the Gulf and in Mexico. As a matter of fact the shrimp canners—and I will speak for them because they are members of the National Canners Association—are in a very, very unfortunate spot now. They are trying to protect their industry in the Gulf and at the same time a loan has been effected or is in the process of being effected at the RFC for shrimp boats built for Mexico.

The CHAIRMAN. I know the shrimp canners or fishermen in the Gulf or in the extreme South Atlantic are very much in distress at this time.

Mr. LOKER. Very much in distress; yes, sir, that is true.

The CHAIRMAN. Any further questions?

Senator MILLIKIN. I would like to pursue this question a little more as to other fish products that are being hurt on the Pacific coast, other than tuna.

Mr. LOKER. Speaking for our association we are primarily packers of tuna and tuna-like fish, mackerel and sardines, and up to 2 years ago our industry, besides the position we were put in through the low tariff, which at that time was 22½ percent and only went to 45 percent the 1st of January—we were also in an almost untenable position, certainly a poor position, with the State Department and with the various rules and regulations that are bandied back and forth by the State Department, their offices throughout the world, and everything done at a very high plane—which is far over our heads, of course, but it directly affects us.

So we were able by a concerted action on the Pacific coast, through an organization called the Pacific Fisheries Conference which is composed of labor, boat owners, canners, from Alaska to San Diego, we were able to get a representative in the State Department.

He is in a relatively low position compared with the Minister of Fisheries that they have in England and Canada and Japan, but he is in a tremendously high position compared to how fish was considered here prior to this time.

That has meant a great deal to us, and it has helped us tremendously. This tariff, of course, is strictly a commercial position. I

mean we just cannot compete with Japan in tuna, for instance, because even with a 45 percent tariff, they can land tuna in New York lower than we can by two or three dollars a case.

Senator MILLIKIN. What are the principal fish up further north from you on the Pacific coast other than tuna?

Mr. LOKER. Tuna, mackerel and sardines, and albacore. Then when you get way up north, you get salmon and in Alaska you get king crab.

Senator MILLIKIN. Would salmon come under Japanese competition?

Mr. LOKER. Not now, because salmon was virtually taken away from Japan when the Russians went in and took all the Kurile Islands and that whole archipelago; but the salmon industry of the United States does have competition with Canada and they are worried about that.

However, I think that they are working something out there between them—something that I am not too familiar with. I do know that the great English market which the United States salmon packers had historically, you might say, for maybe 40 or 50 years has been virtually taken over by Canada because naturally England wants to buy from Canada—they probably have to. But the point that I would like to impress here is that the 45 percent tariff that we get from Japan is a stopgap. That is a help. That is like giving a man a crutch. He can get across the street but it does not cure him.

Because the costs in Japan are so ridiculously low that you cannot compete with them. It is impossible. You cannot compete with them.

Senator MILLIKIN. You would favor a quota arrangement?

Mr. LOKER. Absolutely. That is why we like this H. R. 1612 with that provision in 7 (a). It does give you permission to fight for a quota. It does not give you a quota but it gives us permission to fight for one and that is certainly what we will fight for.

We want to fight for a quota on a consumption-production basis for this reason: that the large tuna companies have gone out and spent several million dollars a year building up this market in advertising alone and it may happen that in 4 or 5 or 6 years the cycle of the fish turns to the point where tuna is shy—that is, raw tuna in the sea is shy.

In that case we want to be in a position to buy tuna from Japan to protect our markets, because if you build up a 10-million-case market and then one year you only have 3 million cases, you will never get that market back. It is a fight all the time to hold on to it.

I would like to put this up here, if I may, sir. That is not as good as Oklahoma beef, Senator, but it is pretty good tuna.

Senator KERR. That is very kind of you and very diplomatically stated.

The CHAIRMAN. Any further questions?

(No response.)

The CHAIRMAN. We want to thank you for your appearance here and for the statement to the committee.

Mr. LOKER. Thank you very much for the privilege. I am very grateful for the opportunity and would like permission to submit as additional information with my brief and for the record further informative statements relative to crab, salmon, and shrimp.

The CHAIRMAN. It may be included.

(The information referred to follows:)

HIGH SEAS TUNA PACKING CO., INC.,
Washington, D. C., March 5, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Committee on Finance,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR GEORGE: At the conclusion of my testimony on H. R. 1612, I requested permission to file for the record some additional information in answer to some of the questions raised by you and Senator Millikin concerning the effect of the trade agreements program on such fishery products as shrimp packed in the Gulf States, and crab and other fishery products packed in the Northwest.

I submit the enclosed information for inclusion in the record.

Yours sincerely,

DONALD P. LOKER.

STATEMENT CONCERNING SHRIMP, CRAB MEAT, SALMON, LIVER OILS, AND FRESH AND FROZEN FILLETS FROM THE NORTHWEST

The shrimp industry located in Louisiana, Mississippi, Alabama, Florida, Georgia, and the Carolinas is an even more difficult situation than that confronting most other branches of the fishing industry. Not even the provisions of H. R. 1612 can help this industry without further legislative action.

Many years ago, when there were no shrimp imports to speak of, shrimp was put on the "free list." At that time, naturally, the shrimp industry had no reason to protest such a listing. Indeed, had not imports of shrimp from Mexico reached such staggering proportions in recent years, the industry would not be complaining even now. The shrimp industry, as is true of all other branches of the fishing industry, recognizes the necessity for foreign trade. It recognizes that other nations must sell to the United States if they are to buy from us and are perfectly willing for Mexico or any other nation to enjoy a reasonable share of our market.

When conditions get to be such, however, that the shrimp industry is in danger of losing its market, when cold-storage holdings of shrimp build up to unprecedented figures, when prices for the product fall to the point where the financial security of the industry and the living standard of its workers is in grave danger, then the industry must have protection. The shrimp industry has reached that point now.

Attached is a table showing domestic production during the past 5 years, and Mexican imports from 1942 to date. While the imports for certain of these years are from all countries, it is believed imports from Mexico account for more than 95 percent of the total in each year.

The strange thing about this Mexican shrimp situation is this. There is no reciprocity on the part of Mexico whatever. United States processors have exported in the past small quantities of canned shrimp to Mexico. In fact, the quantities have been so extremely small as hardly to constitute an export business in Mexico. Nevertheless, despite the duty-free status accorded Mexican shrimp by the United States, Mexico imposes a tariff on such shrimp as we sell to her, and in recent years has increased this tariff substantially. At the present time that tariff effectively prevents selling any shrimp whatever in Mexico. Is that a "reciprocal" trade program?

In answer to the question as to the effect of the reciprocal trade agreements program on the fishing industry of the Pacific Northwest, I can only say that that branch of the industry has been as seriously damaged by the imports of fish as has any section of the fishing industry, and is seriously threatened anew in the immediate future. This can be considered best under several headings.

CANNED CRAB

You will remember that several shipments of canned crab meat from Russia were turned back from the United States during 1950 because American longshoremen refused to unload the product of slave labor to compete with the labor of their fellow workers, the fishermen. In spite of this fact, the imports of canned crab meat into this country nearly doubled in 1950, rising from 2,306,794 pounds in 1949 to 4,070,337 pounds in 1950. Most of this increase came from Russia, the Russian exports of crab meat to this ocuntry being 1,180,250 pounds in 1949, and 2,292,984 pounds in 1950. The domestic production of crab meat in 1949, the last year for which figures are available, was a little over 4,000,000

pounds. Thus imports last year equaled domestic production. I need not tell you how this rapid rise of imports affected the livelihood of the crab fishermen of the Gulf States and the Pacific Northwest and Alaska, where the bulk of United States production of canned crab originates.

At the end of the year, the Government finally made an investigation of this situation—months after the longshoremen had acted—and placed an embargo on Russian crab meat as the product of slave labor. How long this embargo will last is anybody's guess. The commercial agreement made in 1937 between Russia and the United States is still on the books and operating.

LIVER OILS

A great fishery for shark for liver vitamin oils developed during the 1940's along the Pacific coast from Mexico to Alaska. This centered in the Pacific Northwest. Hundreds of small new vessels were constructed for this new fishery and during the war when vitamin A was so vitally needed for night-fighter aviators and other purposes, this became one of the most vigorously prosecuted fisheries in the United States.

In 1949, the bottom simply dropped out from under the liver market. In 2 months' time the price dropped 65 percent, and not only could the processors not buy livers at all, most of the processors either went out of business or strongly reduced operations. The reason was the great influx of vitamin oils from foreign countries, principally Japan. Vitamin concentrates from Japan could be delivered in the United States for a lower price than raw livers could be produced by our Northwest fishermen. The vigorously booming shark fishery came to an abrupt halt. The income of our halibut fishermen who operate in these other fisheries before and after the very short halibut season, and other trawlers was substantially curtailed at the same time as their primary market for fillets was being damaged by imported fillets, and the income from livers to tuna fishermen stopped because it was no longer profitable even to pick the livers from tuna when they were caught and butchered.

Cod-liver oils bear no duty. Halibut liver oil has has a 10 percent ad valorem duty. Shark liver oil has a 5-percent ad valorem duty, plus a 1 cent per pound excise tax. Other fish liver oils have a 5 percent ad valorem duty, plus a 1½-cents-per-pound excise tax. Because of the relatively high price per pound of these oils, and particularly of the concentrates, and because such oils come as a byproduct of many great fisheries around the world, and therefore come onto the market whether the price is good or bad, these duties have little practical influence on the flow of liver oils into this country. No relief can be expected except from tariff raises of a substantial nature, or quotas of reasonable size. As a consequence, the formerly flourishing shark fishery of the Pacific Northwest and Alaska is dead.

FRESH AND FROZEN FILLETS

During the 1940's, the otter trawl fishery of the Pacific Northwest built up from almost nothing until in 1948 there were about 450 vessels engaged in the fishery. Never since that year have more than a small fraction of that fleet been fishing, and then usually on definite quotas. Imports are the sole cause of the break in this fishery.

The overwhelming producer of fresh and frozen fillets in this country is New England. Their volume is so large that it controls to a very large degree the market not only for its product, but that of the Northwest product also. When the market for New England fillets is depressed, that for the Northwest fillets is depressed even more.

Others from the great fishing ports of Gloucester and Boston have told you of the desperate plight of the trawl fishery of New Englnad caused by the astronomical rise in imports of frozen fillets. I can only add that the condition of the trawl fishery of the Pacific Northwest is much worse; it is almost at a standstill.

TUNA

In the past 15 years, the fishery for albacore tuna in the Pacific Northwest has expanded from nothing to a fishery which has produced 44,000,000 pounds in a single year, and which has become the basis of a prosperous canning industry in Astoria and other northwest ports. What I have told you about the effect of the vast rise in canned tuna imports from Japan last year on the great tuna industry of southern California applies with equal strength to this Pacific northwest albacore canning industry, for much of the imports from Japan were albacore

and all this was laid down in American ports well under the bottom cost of production of any American canner of albacore tuna.

SALMON

Besides the United States and Canada, the only major producer of canned salmon is Russia. We are told that the tariff on canned salmon is likely to be negotiated downward at the Torquay trade conferences. The prime benefactor of such a move will be Russia; the prime loser will be the Territory of Alaska, our bastion of defense against the threat of Russian armed might. Historically, the salmon-canning industry of Alaska has paid well over half the taxes of the Territory and supported either directly or indirectly a majority of the inhabitants of the Territory.

United States production and imports of shrimp from Mexico

[Round weight, heads on]

Year	United States production	Imports	Year	United States production	Imports
1950	195,000,000	63,333,000	1945	191,345,000	13,288,110
1949	175,000,000	49,362,180	1944	(1)	[2] 10,220,490
1948	165,000,000	36,081,990	1943	(1)	[2] 9,658,950
1947	170,000,000	22,223,880	1942	(1)	[2] 7,452,900
1946	175,000,000	20,254,080			

[1] Data not available.
[2] Mexico and others.

Source: U. S. Department of Commerce and U. S. Fish and Wildlife Service.

The CHAIRMAN. Mr. Reporter, will you please include in the record at the end of today's business a statement by the National Paperboard Association which was presented by Mr. Canfield.

(The matter referred to is as follows:)

NATIONAL PAPERBOARD ASSOCIATION,
Chicago, Ill., February 26, 1951.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SIR: The National Paperboard Association represents the largest single segment of the American paper and paperboard industry, which in turn is the sixth industry in size in the United States in value of output. The paperboard industry has been severely injured by increased imports due to the reduction of duty rates through reciprocal trade agreements.

This association, therefore, feels it is justified in making its voice heard on H. R. 1612 to extend the Reciprocal Trade Agreement Act. The following analysis of its position on certain provisions of the pending measure is filed in written form, inasmuch as other branches of the industry are scheduled to be represented in personal appearances. The National Paperboard Association is in general harmony with the attitude toward this legislation which has been expressed from time to time by representatives of the papermaking branches of the paper and paperboard industry.

The paperboard industry has repeatedly and vigorously opposed proposals for the reduction of duty rates on its products through reciprocal trade agreements. Despite documentary data which this industry presented in briefs and in oral hearings to demonstrate the injury that was sure to follow, duty rates were reduced until they are now close to a free-trade basis.

In 1946 imports of paperboard from Canada alone (the principal foreign supplier) totaled a value of less than $500,000. In 1950 imports had risen to 60,000 tons, valued at five and a quarter million dollars. This figure does not include imports of nearly $2,000,000 of special board for the production of wallboards, neither does it include imports of large quantities of building boards.

If it is decided to retain the reciprocal trade agreement program as an established American international policy, the domestic paperboard industry believes that the extension of the act, if any, should be accompanied by specific provisions

to give domestic industry at least some measure of protection against material injury, and its employees against loss of income.

Without attempting to cover the whole broad field of tariff legislation, attention is therefore called to two sections of the pending measure with which we are in sympathy.

PERIL POINT

The provision to include a peril point in any future negotiations, so far as the paperboard industry is concerned, is essentially a case of locking the barn door after the horse is stolen. Reductions already effected in the paperboard field leave little for future negotiations. The import duty on Canadian board is now 7½ percent, as against a former rate of 25 percent. This latter rate was due to a countervailing provision by which the United States rate was specifically set at not less than the rate imposed on the American product by any country exporting to this country. This provision was repealed in 1934, by the original Trade Agreement Act. As compared with the present United States rate of 7½ percent, Canada now levies 22½ percent on American paperboards—hardly true reciprocity.

If the peril-point provision had been in effect when the present duty rate was fixed, it would have been apparent that the reduced rate was below that danger figure. Negotiations now in progress at Torquay involve a possible further reduction to 5 percent. It is to prevent this further impact on the domestic industry that we believe the peril-point provision should remain in the bill now before your committee for consideration.

ESCAPE CLAUSES

The escape clauses in agreements already consummated have been honored more in the breach than the observance. Under present regulations, no investigation of a complaint by domestic injury under these clauses is ordered without a majority vote of the bipartisan United States Tariff Commission. As of this date 18 complaints have been dismissed, and only one resulted in application of the escape clause. This single exception, incidentally, involved a country within the Soviet orbit, and action may not have been taken solely on the criterion of injury to domestic producers.

Because of the past history of the administration of the present escape clauses this industry believes that the provisions in the bill now before you requiring investigation of any complaint by domestic industry should be passed. Any other procedure leaves the national economy in the hands of administrative forces which may not always be exercised in the national interest, but in the field of partisan political interest. In the early days of the reciprocal trade agreement program the duty rate was reduced on pulpboard rolls for use in the manufacture of wallboard. Despite an analysis by the Tariff Commission, this rate was reduced for the benefit of a single American company owning a Canadian branch, thereby giving that company a competitive advantage over a dozen other domestic producers.

We believe that any action relating to reduction of duty rates and their effect on the domestic economy should be published so that the public may know the facts and know where to place the blame for loss of industrial opportunity or loss of employment by workers in affected domestic industries. The escape clause as now written provides some protection to domestic interests—the former clause did not, owing to the lack of prescribed administrative procedure.

This statement would not be complete without some reference to the effect of previous duty rate reductions on the farmers of the Middle Western States who have sold huge quantities of straw for the production of strawboards, and straw material for use in the production of corrugated containers.

In 1947, 390,000 tons of straw corrugating material was used in the box field, and this figure which rose to 406,200 tons in 1948 dropped to 326,000 tons in 1949. In 1950, the record year of paperboard production in this country, owing to unprecedented demand, the use of strawboard was 342,000 tons. Inasmuch as it takes approximately 1½ tons of straw to make 1 ton of strawboard, this means that through the reciprocal trade agreement program the farmers of Illinois, Iowa, Indiana, Ohio, etc., have been deprived of the income from the sale of this otherwise waste material.

It is for the reasons set forth above that this industry repeats its hope that the peril-point and escape-clause provisions written into the trade agreement bill, H. R. 1612, by the House of Representatives will be retained by the United States Senate.

Respectfully submitted.

NATIONAL PAPERBOARD ASSOCIATION.

Mr. HART. Senator Millikin asked me a question while I was testifying as to whether any segment of the Pacific coast was similarly affected as we were in New England as to groundfish imports. I answered that a west coast witness was to appear before you today and I thought possibly he might be in a position to testify. I do know that a considerable amount of filleting of rockfish is done in the Northwest Pacific coast in the Seattle area, and it is a specie of groundfish known as rockfish.

Again in this instance I think that the Fish and Wildlife Service can give you the amount of that annual production.

Outside of the New England area—for instance on the basis of last year's production, which I testified to its being 139 million pounds—about 6 million pounds of that was produced outside of the New England area. Now, my impression is that substantially all of that 6 million pounds was produced somewhere in the North Pacific coast area, but I think the Fish and Wildlife Service can give you that.

I have given this gentleman over here [indicating] a copy of the chart prepared by Fish and Wildlife Service that I referred to, and I really would commend that to the attention of the committee, because the full impact of this groundfish situation is graphically excellent explained.

The CHAIRMAN. Thank you, sir.

That concludes the testimony of the witnesses scheduled for today. We will meet again in the morning at 10, but under the statement made by the majority leader, we probably will not be able to run longer than 12 tomorrow in the hearings.

(The following statements were placed in the record at the direction of the chairman:)

STATEMENT OF THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

The American Association of University Women supports the extension of the Reciprocal Trade Agreements Act for 3 years, without the so-called peril point amendment or any other amendment which obstructs or limits the operation of the act.

The AAUW has supported the program since its inception 17 years ago, and has recorded that support on the successive occasions when the measure has been before the Congress for extension. The association originally supported the measure because, on the basis of study by many of its members, it believed that the principles of the program were sound, that it would be in the interest of the American people, and that it would make a positive contribution to international relations. The association now supports the program, not only on the basis of principle, but on the record of the act's operation.

The reciprocal trade agreements program has served the interests of the American people and has strengthened international relations (1) by promoting the expansion of world trade, (2) by providing machinery through which this Nation and other nations can seek their mutual advantage through international trade, and (3) by providing for the consideration of all American interests—consumers, producers, and industries with export markets as well as those which compete with foreign goods at home.

The need for expanded world trade is, if anything, even greater today than in the days when the program was initiated to reverse the suicidal and destructive trend toward autarchy and national self-sufficiency. It is essential to the recovery, the stability, and the economic strength of the nations of the free world and to the development of underdeveloped areas. It is essential in order to close the dollar gap, balance international currencies, and enable many countries to stand on their own feet. It is essential to the health of the American economy in which foreign markets and foreign materials play an important part.

The reciprocal trade agreements program provides a method of adjusting tariffs on the basis of study of all factors—the advantage of concessions given by other countries in comparison to the concessions made by us, the interests of American

consumers as well as those of American producers, the interrelation of industries and products in the total national economy, not merely the special interest of one particular industry or another. The record is impressive, both in the extent to which the act has been applied—mutually advantageous multilateral agreements affecting over 45,000 items, involving 31 countries besides the United States, plus bilateral agreements with 14 other countries—and in the apparent satisfaction that the agreements have brought within the United States. Although since 1943 the so-called escape clause has permitted industries which considered themselves injured to appeal, only 21 such appeals have been made, of which 15 were found to be without foundation on preliminary investigation, while 2 more are pending. The items on which there has been sufficient evidence of possible hardship for the Tariff Commission to undertake a full investigation have been insignificant in terms of the national economy: Spring clothes pins (no injury found), women's fur felt hats (concession withdrawn), hatter's fur (investigation in process), knitted gloves and mittens (investigation postponed). Clearly, American industry has not been threatened—it has flourished—under this program.

The AAUW recommends the renewal of the program for the full 3 years in order to demonstrate to other countries with which we are negotiating that this is our continuing policy. Anything less than a 3-year extension would have the effect of undermining the program.

The AAUW urges that the Senate extend the act in its persent form and reject the so-called peril point amendment contained in the bill passed by the House. This amendment at best introduces a cumbersome and wasteful procedure; at worst, it hamstrings the operation of the act. In any case, it is based on the principle that the only factor to consider in tariff making is the special interest of each particular industry.

We also urge rejection of the escape clause in the form contained in the House bill since this could effectively undermine the act. By providing a basis for withdrawal of a concession if, in a segment of an industry, there is any decline in production which is in part attributable to foreign competition, it invites tariff rates designed to protect marginal producers. In combination with the peril point amendment this aspect of the House bill enacts the views of those who have always opposed the trade agreements program, not of those who have supported it.

The statement of those who have supported these amendments in committee and on the floor of the House, indicate clearly that the purpose of the amendments, is opposed to the purpose of the reciprocal trade program. Their arguments in support of the amendments bring out the AAUW's reasons for opposing them.

They point with distress at foreign goods on the American market—English woolens and china, for example. It seems to us most desirable that these goods should reach the American market. Only by selling to the United States can England and other countries pay for the goods which we send to them and reach a sound economic condition where we will not have to continue to give them dollars to pay for the American goods which they need. Furthermore, American consumers should have access to the fine products of all parts of the world. On previous occasions, the AAUW in its testimony on this program has pointed out that the procedure under the act has the great advantage of giving weight to the interests of the American people as consumers as well as their interests as producers. May we again direct the attention of the Congress to the fact that the public interest is served only when the consumer as well as the producer interest is served, and that it is to the interest of Americans as consumers to have access to the products of other countries.

Supporters of the peril-point amendment point with distress to a limited number of specific small industries—nearly always the same handful—as if the policy of the whole country should be molded to serve those industries.

They readily attribute to international trade the effects of mismanagement and business failures of individual companies, e. g., watchmakers, and the normal shifts of production from less to more profitable lines, e. g., from sheep raising to cattle or other products. And they fail to establish (1) that higher tariffs would have meant more production in the industries cited, or (2) that it would have been to the interest of American industry and agriculture as a whole if these industries had produced more, or (3) that the American consumer would have been as well or better served. It seems clear to us that the national policy should be to serve the interest of the economy as a whole, of exporting industries as well as those subject to foreign competition, of efficient industries of all sizes, of farm producers, and of the whole population as consumers.

Supporters of the peril-point amendment indicate sympathy with the buy American approach. This, in our opinion, is a false principle—as uneconomic and antithetical to the public interest as to buy New York and forego citrus fruit, or cotton, or automobiles, or gasoline, or to buy Texas and do without steel. Neither our prosperity nor our security lies in isolation and self-sufficiency, but in the vigorous interchange of products among the nations of the free world.

Finally, the peril point amendment proclaims to the world a false weakness which, in our opinion, American industry does not show. By this amendment, we would announce to the world that our industry cannot hold its own competitively without the shield of protective tariffs. At a time when we are loudly proclaiming the superiority of our system, such an assertion of weakness hardly supports our claims and is not likely to reassure those countries whom we seek to rally to our side. We do not believe that competition constitutes a peril to American industry, and we have enough confidence in the American productive system to believe that it can demonstrate its strength to the world without the crutch of the peril point amendment.

We, therefore, urge the rejection of the peril point and the restrictive escape clause amendments and of any other amendment which would limit or weaken the act, and we urge the extension of the act for the full 3 years.

Statement by Merrill A. Watson, President, Carpet Institute, Inc., New York, N. Y.

I. STATEMENT

This brief is submitted by the Carpet Institute, Inc., which represents 90 percent of the domestic manufacturers of wool carpets, rugs and floor coverings.

The Trade Agreements Act became law on June 12, 1934. When the bill which later became that act was before the Congress, it was opposed by many domestic manufacturers and producers. In addition, opposition was made to bills filed subsequently to extend the act. The principal objection to the bill and its various extensions was that no provision was made to properly safeguard the interests of American manufacturers and producers and American labor as well. The original act specifically excluded from operation in connection therewith sections 336 and 516 (b) of the Tariff Act of 1930. The 1946 extension of the act did include a peril point provision, so-called, which was inserted by the Eightieth Congress. This, however, was repealed by the Congress which followed. Finally, no provision was made whereby an American producer and/or manufacturer could go to court in any case where he felt that a reduction in a rate of duty on any given product had injured his business and consequently the labor employed by him.

II. THE PROCEDURE UNDER THE TRADE AGREEMENTS ACT OF 1934 AND EXTENSIONS THEREOF

Shortly after June 12, 1934, the practice was established whereby the United States Tariff Commission would give notice of a hearing by a committee, designated as the Committee for Reciprocity Information concerning possible increases or reductions in rates of duty. (No rate of duty has ever been increased.) At such hearings, persons would be heard and briefs filed for or against possible increases or reductions in rates of duty prescribed in the said Tariff Act of 1930. At first, no list of articles and/or commodities to be considered for possible changes in the rates of duty was published. All of the articles and products mentioned in the said act of 1930 were susceptible to possible reductions in rates of duty. Domestic manufacturers and producers were, therefore, in a dilemma as to whether a rate of duty might be considered for reduction on any article or product which was competitive with a domestic article. Later, however, the committee published such a list. This was helpful because it gave notice that the intended hearings were limited to the articles and products mentioned in such list. The Committee for Reciprocity Information consisted of representatives of certain departments of our Government.

Importers and domestic producers appeared before the committee in considerable numbers and in addition, usually filed comprehensive briefs. Those who negotiated trade agreements were not confined by the record apparently as made before the committee. They could, and it would seem as if they did consider extraneous factors. In other words, no yardstick or formula was established

by the said Trade Agreements Act which would have to be followed by the negotiators when determining whether or not a rate of duty should be reduced. If these safeguards had been established, and there was a right of appeal from that point, it would have been far more equitable to all concerned.

Our members appeared at various times before the Committee for Reciprocity Information and opposed reductions in the rates of duty on machine-made carpets, rugs, mats and other floor coverings, provided for in paragraphs 1116, 1117, and 1118 of the said act of 1930. Notwithstanding the very careful and thorough presentations which certain of our members made against the reductions in the rates of duty on certain rugs, carpets, etc., they were greatly reduced.

It should be noted that when the bill to extend the act was before the Congress in 1946, section 2 thereof provided that the rates of duty to be considered for reduction were to be those which were in effect on January 1, 1945. This aggravated the situation from the viewpoint of the domestic manufacturer because if a rate on a certain article had been reduced 50 percent on January 1, 1945, and a great many of them had been, such rate could be further reduced another 50 percent and many of them since have been.

III. H. R. 1612

This bill was introduced in the House on January 17, 1951, and was referred to the Committee on Ways and Means. It provided simply that the period during which the President is authorized to enter into trade agreements be extended for 3 years from June 12, 1951. In due course, this bill was reported to the House without amendment. Later, it was debated at length and numerous helpful and constructive amendments to domestic interests were incorporated in the bill. It passed the House on February 7, 1951, and was referred to the Senate on February 8. The bill in its present form is certainly a step in the right direction. However, it would seem as if the provision referred to in article II of this brief, namely, that the rates to be considered for reduction be those in effect on January 1, 1945, would still be in force under this bill.

We urge the committee to report the bill at least in the same form as it passed the House. If enacted into law, it would in our opinion greatly increase the likelihood of American manufacturers and producers obtaining a more equitable treatment in the matter of tariff rates on competitive imports than is now possible. Moreover, we ask that careful consideration be given to our suggestions previously made that there be some standard or yardstick inserted in the bill which would have to be followed by the negotiators in connection with any trade agreement. In addition, the same or some other standard or yardstick should be inserted which would have to be followed by the United States Tariff Commission when making an investigation, such as is referred to on page 2 of this bill. In other words, the Tariff Commission would have to consider certain factors when making a report with respect to the "* * * modification, imposition, * * *" of rates of duty "* * * without causing or threatening serious injury to the domestic industry producing like or directly competitive articles."

Finally, an appeal to the court should be made available to anyone who felt aggrieved by any action of the United States Tariff Commission and/or the negotiators of any trade agreement in reducing a given rate of duty. This is simple justice.

We note from the newspapers that Secretary of State Acheson, when appearing before your committee on February 22, last, stated that the amendments to which we have referred would * * * if allowed to stand, be completely contrary to the best interests of this country." It is difficult to understand the reasoning of the Secretary, because anything which tends to strengthen and make permanent the great industry of the United States would seem not to be * * * contrary to the best interests of this country". An editorial appearing in the New York Journal of Commerce of February 15, last, entitled "Crimp in the Trade Act?", stated in part: "American producers are certainly entitled to protection against tariff cutting that would injure them seriously. The question is: What form should this protection take?" We think, as previously observed, that the House amendments to the bill in question, together with the suggestions which we have made, would be fair and just to importers and domestic producers alike.

STATEMENT OF ROBERT F. LOREE, CHAIRMAN, NATIONAL FOREIGN TRADE COUNCIL, INC., NEW YORK, N. Y.

The National Foreign Trade Council, Inc., desires to present certain views regarding the trade agreements program and the bill passed by the House of Representatives (H. R. 1612) for revision and extension of the Trade Agreements Act.

The National Foreign Trade Council, comprising 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, has given long and consistent support to the principles underlying trade agreement legislation in this country. At its inception, in 1914, the council called upon the President and the Secretary of State to undertake the negotiation of trade agreements which would assure to American producers advantages in foreign markets in return for the large volume of trade which other countries enjoyed in the American market. The council was foremost among organizations urging congressional enactment of the Trade Agreements Act in 1934, and it has energetically supported each successive renewal of the act since that date.

The council has vigorously championed the objectives of freer and nondiscriminatory world trade. It strongly believes that, under proper procedures and within limits set by the Congress, reciprocal trade negotiations provide a desirable means for securing the reduction of excessive tariff rates, the removal or minimization of burdensome quantitative restrictions and other trade barriers, and the elimination of discriminations in international trade.

Even before the emergency resulting from the Communist onslaught in Korea, the need for vigorous action by our Government, through the trade agreements procedure and by other means at its disposal, to bring about the reduction of excessive foreign tariff rates and the elimination of onerous trade restrictions and discriminations with which American industry and agriculture were confronted in marketing their products abroad, was becoming increasingly important. In large part as a result of American economic aid, industrial concerns in many of the countries of Europe were beginning to provide stiff competition to American enterprises not only in their own markets but in other markets throughout the world. In order to hold their own in these markets, American agricultural and industrial producers needed all the assistance their Government could provide in reducing or removing excessive tariff barriers and other obstacles which these producers faced abroad. As above indicated, trade-agreement negotiations afford an important means for achieving these objectives.

However, if American producers are to sell abroad, it is of equal importance that excessive American tariff rates and other needlessly restrictive trade barriers in this country be likewise reduced or eliminated. For foreign countries cannot continue to provide foreign outlets for the excess production of American farms and factories unless they can obtain the dollars with which to purchase these products through the export of their own goods and services to this country. As a means of bringing about a judicious reduction in American tariff rates and other barriers with least damage to competing American agricultural and industrial producers, and at the same time obtaining a quid pro quo, the trade negotiations procedure provides a useful device.

Even under present emergency conditions, the trade agreements program can perform a very important function. International trade and investment are essential to the defense of the United States and other free nations. Trade agreement negotiations cannot only contribute to the economic development of the nations of the free world and to closer economic ties among these nations, but such negotiations can provide a means of helping these nations to maintain a high level of trade with each other.

It is especially necessary for foreign nations participating in the defense effort of the free world to maintain the highest feasible volume of exports to the United States as a means of enabling them, to the greatest extent possible, to pay for the productive equipment, raw materials, and other products required by them from this country in carrying out their defense programs. It is in the interest of the United States to encourage such trade with this country. For by so doing the United States would help to reduce the amount of grants which this country might otherwise be obliged to make to these nations in order to enable them to accomplish their part of the common defense effort of the free peoples. The trade agreements negotiated between the United States and many of these nations should be effective in helping these nations to increase their exports to this country and, thus,

in enabling them to pay for a large proportion of the defense materials and other products which they require from the United States.

These agreements should, likewise, help to expand foreign markets for American products and thus to enable this country to obtain foreign exchange with which to pay for the greatly increased United States purchases of mineral and other raw material products abroad which the defense programs of this country and other free nations will entail.

We feel that it is desirable to retain the bargaining authority contained in the Trade Agreements Act for use in making needed adjustments in particular rates in existing trade agreements and in accomplishing desired reciprocal reductions in rates and other barriers not now covered by trade agreements.

The council, however, is opposed to certain provisions which were incorporated in the bill passed by the House of Representatives for renewal and extension of the Trade Agreements Act. We think that the "peril point" provisions are unnecessary. We believe that the procedures followed by our Government in the negotiation of trade agreements and a soundly drawn escape clause can adequately safeguard American industries from injury due to excessive influxes of foreign goods as a result of trade agreement concessions made by this country.

However, if the "peril point" procedure is to be incorporated in the Trade Agreements Act, the Council urges that there be eliminated from the measure passed by the House of Representatives the provision which would restrict the activities of the United States Tariff Commission in trade agreement negotiations to that of providing factual information and analyses for use by the American negotiators of trade agreements. In the opinion of the Council, it is essential for those who carry on trade agreement negotiations with other countries to have the advice of representatives of the Tariff Commission during the course of such negotiations. Occasions often arrive in the give-and-take of trade agreement negotiations when it is desirable for 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 important that the negotiators of this country have direct access to representatives of the Tariff Commission who are best qualified to impart the desired advice.

As to the escape clause provisions of the proposed measure, the Council is opposed to that provision which would authorize a country to establish an import quota with respect to any product concerning which it had granted a trade agreement concession if, as a consequence of such concession, the product was being imported in such quantities or under such conditions as to cause or threaten serious injury to domestic producers of the product in the country granting the concession. Under the General Agreement on Tariffs and Trade, a participating country can modify or withdraw any trade agreement concession which operates to cause or threaten serious injury to a domestic producer; and, if the withdrawal of the concession is not sufficient to provide adequate protection for domestic producers of the product in question, tariff duties can be imposed or increased on such product.

The council believes that the afore-mentioned means are not only adequate, but that they constitute the only desirable method, for providing necessary relief to any domestic producers that may be injured or threatened with injury as a result of trade agreement concessions. In the view of the council, import quotas constitute an extreme form of protection and should not be employed as a protective device. Moreover, it must be borne in mind that, if the United States insists on the right to employ import quotas as a means of providing relief to American industries which may be injured or threatened with injury as a result of trade agreement concessions, this country will have to concede the right of other parties to trade agreements to employ the same extreme form of protection as a means of safeguarding their industries against competition resulting from trade agreement concessions extended to the United States. The employment of import quotas for this purpose by other countries could be especially destructive to export markets for American agricultural and industrial products.

Another feature of the escape clause provisions of the proposed measure to which the council objects is that provision which states that, in arriving at a determination as to whether a product on which a concession has been granted is being imported in such increased quantities or under such conditions as to cause or threaten serious injury to a domestic producer, the Tariff Commission "shall deem a downward trend of production, employment, and wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof."

Sound administration of the escape clause by the United States requires that the Tariff Commission shall operate as an independent agency in determining, after investigation and hearing, whether any product "is being imported in such increased quantities or under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products." The House-approved legislative provision quoted in the above paragraph narrows the field in which the Tariff Commission can exercise its judgment in arriving at a determination as to whether, in a given case, serious injury to American producers is being caused or threatened. Instead of permitting the Tariff Commission freedom of judgment in arriving at a determination on the basis of all the facts disclosed by its investigation, the above-quoted provision would place the Commission under strong compulsion to find that serious injury was caused or threatened by "import competition."

For the reasons stated, the council respectfully urges that the Committee on Finance do not approve the above-discussed proposals for revision of the Trade Agreements Act. The council recommends that the act be extended substantially in its present form for a further period of 3 years.

We request that this statement be made a part of the official record of the hearings of your committee.

THE TEXAS SHRIMP ASSOCIATION,
Port Lavaca, Tex., February 27, 1951.

Hon. WALTER F. GEORGE,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR GEORGE: Thank you for your kind letter of the 21st instant, wherein you expressed your deep interest in the problem of the shrimp industry. The serious present threat from the overwhelmingly increasing imports, almost exclusively from Mexico, has created an alarming concern to the industry and its thousands of fishermen and employees all the way from the Gulf States to Florida, Georgia, and the Carolinas. I know that I am expressing the sentiments of all throughout this great area. Indeed, I may add that some endeavors have been made for the past 4 or 5 years for some remedial legislation, but without success. The problem has continuously been brought to the attention of the State Department and the Departments of Interior and Commerce, as well as to individual Senators and Congressmen, but although everyone has agreed that this industry is vitally threatened, nothing has been done to protect it. There is no quota and no duty on shrimp imports from Mexico or other parts. It is a product that has not been bound and hence not subject to any restrictions or ad valorem duty, therefore a wide open field for limitless imports. I attach herewith an authentic schedule furnished by the Fish and Wildlife Service of the United States Department of the Interior, which reflects this serious picture. For instance, from a little over 29,000,000 pounds imported in 1949, it grows to over more than 39,500,000 pounds in 1950. Worthy of serious note is the fact that whereas prices of all other commodities since Korea have risen steadily, together with cost of production, the cost of shrimp has declined because of the Mexican imports, although its cost of production rose by about 20 percent.

Remedial legislation, therefore, is imperative to protect this self-made American industry, which has invested millions in processing plants, vessels, etc., and employs thousands of fishermen and employees. As a corrollary to this, let me point out an interesting situation from Mexico. The Mexican Government has imposed an export duty on its shrimp. The duty is lower for shrimp frozen in Mexico as against fresh shrimp that is exported, the reason being that Mexico, in order to help its local freezing plants, places this high duty on fresh shrimp and thus makes it very attractive, if not mandatory, for shrimp to be frozen there; all of which affects our freezing plants in the Gulf, which are, of course, closely connected to the shrimp industry.

All that this industry is seeking from our Government is a proper department or commission vested with authority to hear our case and render a decision by which proper relief would be accorded the industry, if, of course, its case is meritorious. There seems to be no such avenue open to this industry and I believe that this statement will be confirmed by the various departments and also by the Tariff Commission.

The extension of the Reciprocal Trade Agreements Act, even with the House amendment thereto, does not furnish avenues of relief to this industry, either under its escape-clause provisions or otherwise, for shrimp is not a bound article and is not subject to any duty or quota restrictions. If, under this act and any amend-

ments thereto, all industries or commodities, whether bound or otherwise, were extended the same avenues of relief, it would seem that the shrimp industry could then avail itself of the remedial provisions thereunder.

I respectfully call these factors to your kind consideration, with a view, if permissible, that the cause of this industry be considered under the present legislation before the Finance Committee or any other amendment or legislation as may be considered proper in the situation. I want to assure you, sir, that the situation is grave and that the entire industry and its employees, as well as other allied industries dependent upon it, will be ever grateful for your kind, serious, and prompt consideration of the matter.

Thanking you exceedingly for the attention that I know you will accord our request, I have the honor to remain,

Very respectfully yours,

HARRIS J. BOORAS.

Imports of fresh and frozen shrimp, 1935–50

Year	From Mexico		From other countries		Total	
	Pounds	Value	Pounds	Value	Pounds	Value
1935	1,574,077	$134,450	289,872	$43,623	1,863,949	$178,073
1936	552,942	53,321	255,960	37,890	808,902	91,211
1937	2,058,741	143,664	341,334	55,662	2,400,075	199,326
1938	3,242,809	208,645	216,749	31,457	3,459,558	240,102
1939	3,797,231	225,576	186,911	33,926	3,984,142	259,502
1940	4,912,552	361,199	111,773	23,439	5,024,325	384,638
1941	3,115,933	265,611	45,899	6,595	3,161,832	272,206
1942	4,419,306	436,494	16,984	5,400	4,436,290	441,894
1943	5,746,545	1,347,387	2,776	1,398	5,749,321	1,348,785
1944	6,081,509	1,807,371	2,170	399	6,083,679	1,807,770
1945	7,873,888	2,357,355	1,901	560	7,875,789	2,357,915
1946	12,056,001	3,616,276	187,974	139,271	12,243,975	3,755,547
1947	13,228,505	5,132,000	46,460	29,265	13,274,965	5,161,265
1948	21,477,390	9,980,675	85,633	38,962	21,563,023	10,019,637
1949	29,382,193	13,450,481	291,012	155,576	29,673,205	13,606,057
1950	39,652,640		305,159			39,957,799

Source: Statistics furnished by Fish and Wildlife Service, U. S. Department of Interior.

NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE,
WASHINGTON BUREAU NAACP,
Washington, D. C., February 27, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR GEORGE: On behalf of the National Association for the Advancement of Colored People, I am submitting the following statement in connection with H. R. 1612 now under consideration by your committee. We respectfully request that it be included in the hearing record.

The United States and the world today face an extremely crucial period. In such times it is necessary to maintain and strengthen all possible areas contributing to security either military or economic. With the help of the European recovery program and other measures the countries of Western Europe have made great strides in the restoration of productive and in the improvement of their standards of living. These factors have also been increased in other areas of the world. In our own country we have reached a very high peak of productivity and employment. We must build up our defenses in conjunction with our allies to preserve the gains we have won since the close of the last war.

One of the most important factors in maintaining a nation's wealth is its foreign trade. Through foreign trade a nation can obtain the goods it imports more cheaper and in greater volume by producing the exports it exchanges for them, than by attempting to produce these goods itself. Jobs in export industries, as statistics show, are high wage jobs. Any increase in our exports means an increase in the number of these jobs; any decrease in exports results in a decrease in jobs and wages and in purchasing power.

Because of exchange difficulties people in other countries who cannot buy our exports without American dollars must sell goods and services to the United States

to earn these dollars. Every dollar spent in imports returns to the United States in payment for exports produced by American workers.

In the present serious world situation our foreign trade is more vital than ever, particularly in its security aspects. Imports are needed to increase our material resources and production to meet critical national defense requirements. Other free nations desperately need many goods for their cooperation with us against possible Communist aggression and in maintaining the economic stability in their countries that is necessary if their strength is to be secure.

The trade agreements act is a very vital measure in this whole picture. Through this act our country has participated in the practical work of world-wide tariff reduction. Trade agreements are in effect with 45 countries through which we carry on 75 percent of our total foreign trade. The agreements, either bilateral or multilateral, have been negotiated with care and equity and have resulted in many benefits to our economy and that of other countries.

The reciprocal trade agreements have become a symbol of the determination of the United States to lead other free countries in cooperative efforts to expand world trade and, through this, world prosperity. Failure to renew the act at this time would mean that we are withdrawing from this important cooperative effort. No expansion or change in the act is being requested. This is not a time to withdraw from our effective economic cooperation with our allies, either from the standpoint of good will or, more important, because of the security we all need. To maintain our economic well-being and to build toward greater security our organization wishes to go on record as strongly supporting the renewal of the Reciprocal Trade Agreements Act.

Sincerely yours,

CLARENCE MITCHELL,
Director, Washington Bureau.

AUSTIN, TEX., *February 27, 1951.*

Hon. WALTER F. GEORGE,
United States Senate,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR GEORGE: To identify myself to you, I was privileged to appear before the Foreign Relations Committee, of which you are a member, in opposition to the ratification of the Anglo-American Oil Treaty. On this and many other occasions through the years. I have been greatly impressed with your sense of fairness and outstanding abilities.

This letter is addressed to you in connection with H. R. 1612 passed by the House of Representatives and now pending before the Committee on Finance of the Senate, of which you are chairman. In this connection, for the record, my practice has concerned itself for more than 10 years solely with problems of the oil industry. I have never represented a so-called major (integrated) oil company. I have also actively opposed imports of oil and products into this country in quantities beyond supplementary needs. I have never believed that imports of oil into this country should be cut off. I recognize, and have recognized at all times, as all informed independents recognize, that there is a point at which oil should and must move into this country. The need under world conditions today for imports of oil into this country in the interest of national security is pointed up greater than at any period in our history. As an example, demand for oil in this Nation currently approximates some 8,000,000 barrels daily, and with United States production approximating 6,000,000 barrels daily (an all-time high) and with imports of oil and production exceeding 900,000 barrels daily, we are drafting on above ground stocks. However, I do not believe that imports of oil into this country should be measured by a "competitive fuel" yardstock. It seems to me that the sole measure should be that of the national security of this country and not whether oil is competing fuel-wise with any other commodity (coal). From your record as I have observed it, I do not believe that you subscribe to "end use control". H. R. 1612, as passed by the House does precisely that.

In commenting on H. R. 1612, I would like to make it clear that I am not assuming the burden of whether there should be a Trade Agreement Act or whether there should not be. I am assuming the burden, however, that if there is an act—a law—that it should not be so hamstrung with special interest provisions as to render it impractical of operation. It should not be used to place on the statute books a law that on its merits could not pass standing alone.

In my judgment, the House placed crippling amendments on this act not in the public interest. These amendments that I will discuss with you were placed in the act on the floor of the House according to the Congressional Record and I hope without full consideration on behalf of many Members who voted therefor.

In essence the House added to H. R. 1612 as compared to the original Trade Agreements Act the so-called peril-point amendments. These amendments require the Tariff Commission to determine the point below which a duty cannot be cut without causing injury to any domestic industry. Probably no one could logically complain of these amendments. These amendments would prevent the Tariff Commission from arbitrarily dismissing applications for relief without holding hearings or making findings of fact on an alleged injury. They have done so, I am told, in the past. Another amendment that the House placed in this act is the so-called escape clause which provides for a modification or suspension of trade agreements entered into under the act in the event of injury to domestic industry because of reduced duties; however, the language used in accomplishing this goes much too far.

It seems to me that no one could reasonably quarrel with the intent of either the peril point or escape clause amendments; however, the House went further, and by changing words in the original agreement together with the addition of new matter to the act, have, in my opinion, insofar as the economy of the domestic oil industry and the State of Texas is concerned, placed the imports of oil and residual fuel on a competitive fuel basis rather than on the basis of injury to the domestic oil industry. The changes in the bill as passed in the House which should be made in order to correct the above could be accomplished as follows:

On page 2, lines 16 and 19 of H. R. 1612, the words "directly competitive" should be changed to "similar". The same changes should be made on line 14, page 4.

Section 7 (a) of H. R. 1612 is an entirely new section and should be rewritten in some manner. I have attempted to rewrite this section with the view of carrying out the announced intent (not secret motive) and suggest the following language in lieu of that contained in section 7 (a):

"7 (a). There shall be included in every trade agreement hereafter entered into a clause providing in effect that if, as a result of any concession or obligation therein, any 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 parties shall feel free to withdraw or modify the concession, or suspend any other obligation, in whole or in part, to the extent and for such time as may be necessary to prevent such injury; provided, however, such shall not be applicable to modification of existing agreements which do not contain a similar clause except by agreements of the parties thereto. The President, however, shall make diligent efforts to have such a clause included by amendment to existing trade agreements which do not contain a similar clause."

Also in section 7 (b) on line 14 the word "relatively" should be stricken and the words "directly competitive" should be changed to "similar." On page 7, lines 13 through 18, inclusive, should be stricken in their entirety.

The language suggested above to be stricken might seem inoffensive and on the surface to have merit. However, inventories of crude oil and products above ground are waste-prevention matters that have been reserved to the States under the police-power amendment of the Constitution (production-control matters). It might be, and under many conditions and at certain seasons of the year is, desirable to increase inventories (above-ground stocks) even when these increased inventories could be attributable in part to imports. On the other hand, a downward trend of production might be desirable because of reservoir conditions of oil fields in this country, waste prevention anchored to greater ultimate recovery. Such language as contained in lines 13 through 18 of section 7 (c) has no place in this law and should not be used as a mandatory guide or standard for determination of advisability of oil imports. Too, normal expanding economy could exceed ability to meet necessitating increased inventories of imported oil (within supplementary requirements) to provide adequate working stocks. Additionally, downward trend of employment conceivably could occur in exploratory end of industry because of lack of "prospects" to drill and at a time when oil is being imported within supplementary requirements. Declines in sales could occur because of a temporary economic recession. Therefore, neither "downward trend of production, employment, and wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory * * * " should be per se proof of injury or threat of injury to a domestic industry.

With the above suggested changes, the act then as written would undoubtedly provide the safeguards claimed necessary to protect the domestic oil industry in keeping with reasonable concern over injury thereto. But these changes, however, will not satisfy the end use, competing fuel proponents, who are not concerned with adequancy of oil in the four corners of this Nation but are concerned primarily with effectuating their idea of end use control. The suggested changes, in my opinion, would not affect any other industry who has complained of inequitable treatment by the Tariff Commission such as the clay, ceramic, and fur industries. H. R. 1612 amended as suggested herein would then be much broader and much more protective than the present Trade Agreements Act; and, sincerely, it seems to me, would meet all announced objections that has been expressed against the original act. General resentment, however justified, against State Department should not operate in justification of bad legislation.

It is hoped that upon careful consideration of this bill, together with the comments herein, that you will find that you are able to suggest and support these suggested changes in committee.

With every best wish to you, I am

Respectfully,

ELMER PATMAN.

NATIONAL ASSOCIATION OF CONSUMERS,
New York 2, N. Y., February 28, 1950.

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: The board of directors of the National Association of Consumers favors prompt renewal of the Reciprocal Trade Agreements Act for a period of 3 years beginning in June 1951, and urges the Senate Finance Committee to support extension of the act without the amendments which were passed by the House of Representatives. We feel that the steps by which trade agreements have been negotiated provide adequate safeguards for domestic interests, and that tariff concessions made under these agreements have been in the national interest in that other countries have made important tariff concessions on our exports in return for concessions which we have made.

The amendments passed by the House of Representatives seem to us to involve risks which our Nation cannot afford to take in its relations with other countries. If we build barriers to world trade, we will not only lose the confidence of other nations but we will also be working against our own economic interests.

The peril-point amendment would, in our opinion, place totally unnecessary restrictions on the negotiating of trade agreements, and would place upon the Tariff Commission an almost impossible task of defining a point at which injury might result from a tariff concession. Provisions already existing for public hearings before any concession is granted offer the necessary safeguards. The escape clause amendment, like the peril-point amendment, seems to us to serve no useful purpose, and its provisions would weaken our bargaining power in negotiating with other countries.

We do not believe that the amendment which relates to agreements with countries in the Soviet bloc can help us in an economic way, nor can it have much effect on our national security since we already have export controls that prevent the export of strategic goods to countries under Soviet control.

Finally, the amendment which applies to tariff concessions on agricultural commodities would, we believe, be harmful to the national interest in spite of its intent to protect farm prices. Practical application of this amendment would force us to withdraw agricultural concessions in many existing agreements, would cause other nations to retaliate by withdrawing concessions from us, and in general would result in more harm than good by greatly injuring our export trade.

In the interest, therefore, of our own economic well-being and that of the peoples of other nations who are looking to the United States for leadership in building social and economic foundations of world peace, we urge the Senate to extend the Reciprocal Trade Agreements Act for 3 years without amendment.

Sincerely yours,

HELEN HALL, *Chairman.*

SOCONY-VACUUM OIL CO.,
New York, N. Y., February 20, 1951.

Re H. R. 1612, Trade Agreements Extension Act of 1951.

Hon. WALTER F. GEORGE,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR: It is my understanding that the Senate Committee on Finance is planning to hold public hearings on H. R. 1612, the Trade Agreements Extension Act of 1951, on February 22, 1951. In the closing moments before passage by the House of Representatives a number of controversial amendments were added, including section 7 (c) to which this letter specifically relates.

One of the principal features of the bill as it now reads is the escape clause contained in section 7. This provides, among other things, that any interested party may apply for the withdrawal or modification of a tariff concession when imports are adversely affecting the domestic industry or a competing domestic industry. In the case of oil imports, so vital to our national security at this time, the request for relief could stem from domestic crude producers or from a competing industry such as coal.

The second paragraph of section 7 (c) raises a serious question. It provides: "In arriving at a determination in the foregoing procedure the Tariff Commission shall deem a downward trend of production, employment, and wages in the domestic industry concerned,[1] or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof."

If any one of the listed factors is found to exis , then under section 7 (c), the Commission is almost obliged to find that imports are harmful, and certainly some will so argue. The Tariff Commission is practically deprived of any real discretion as to the fact or extent of the injury to domestic industry.

The problem is broader than increasing inventories, reduced production, declining sales or any of the other factors listed in section 7 (c). These are merely some of the elements to be taken into consideration. In the exercise of its judgment the Tariff Commission might properly conclude that seasonal changes, strikes, shut-downs, material shortages or a host of other considerations were primarily responsible for the immediate troubles of the domestic industry.

In the oil industry, for example, inventories of crude end products are constantly rising and falling, with shifts of as much as a million barrels or more occurring from week to week. Inventories may on occasion be increasing because they have been too low in the past. Recently considerable attention has been given to the adequacy of petroleum inventories and resources (here and abroad) in the light of the world situation, the thought being that it would be disastrous for a war to break out at a time when our inventories of vital products were dangerously low. The requirements of national security, although not mentioned in section 7 (c), might be a factor of such significance as to overcome all other considerations.

I suggest, therefore, that H. R. 1612 be amended by deleting the words "shall deem" from the second line of the second paragraph of section 7 (c) and substituting therefor the words "may consider." In addition, there should be added at the end of the second paragraph of section 7 (c) the phrase "but other relevant factors should also be taken into account."

Your consideration of these views will be greatly appreciated. May I request that this letter, copies of which have been sent to the other members of your committee, be made a part of the record.

Very truly yours,

RAY C. HINMAN.

CHICAGO, ILL., *February 23, 1951.*

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee, Senate Office Building.

Am requesting you have this telegram inserted in the record of the hearings on the extension of the Reciprocal Trade Agreements Act. The Commission on

[1] Includes competing industries.

World Peace has repeatedly acted in support of the Reciprocal Trade Agreements Act and of all efforts on a just basis to reduce or abolish discriminatory international trade practices. United States has established an enviable record through the trade agreements program in effecting the widening of trade relations and the raising of living standards in many parts of the world. We trust that the Reciprocal Trade Agreements Act will now be extended and without crippling amendments which would negate many of the values inherent in the program. It is not necessary for us to enter into the technical discussions but we believe the principle to be one which affecting larger and larger circles of just relations in international trade aid in the developments of the increasing good will essential to the working out of permanent peace especially in days of tension such as we are passing through. It is important to continue, strengthen, and enlarge the United States leadership in the field or fair and just international trade relations.

Respectfully submitted.

CHARLES F. BOSS, Jr.,
Executive Secretary, Commission on World Peace of the Methodist Church.

(Thereupon, at 5 p. m., the committee adjourned to reconvene on Thursday, March 1, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

THURSDAY, MARCH 1, 1951

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

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

Present: Senators George (chairman), Hoey, Kerr, Millikin, Taft, Butler (Nebraska), and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk; and Serge Benson, minority professional staff member.

The CHAIRMAN. The committee will please come to order.

Mr. Lynn of the American Farm Bureau Federation.

Mr. John C. Lynn, you are associate director of the Washington office, I believe, of the American Farm Bureau Federation?

STATEMENT OF JOHN C. LYNN, ASSOCIATE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. That is right, sir.

The CHAIRMAN. You may proceed with your statement.

Mr. LYNN. The American Farm Bureau Federation is grateful for the opportunity to represent the viewpoint of the 1,449,715 farm families in 45 States and Puerto Rico with regard to the reciprocal trade-agreements program, which is a part of the United States foreign-trade policy.

Our foreign trade policy is of the utmost importance as an integral part of our foreign trade and domestic policy. These critical times demand that we view our foreign trade policy from the standpoint of our national welfare and the welfare of all cooperating free nations. Our foreign trade policy is so vital to our national interest that we must give primary consideration to its effect on our whole economy rather than to consider it primarily from the standpoint of its effect on certain special interests.

This is no time to throw overboard the gains we have made in developing world trade. America cannot afford to crawl into her shell. All freedom-loving nations of the world are looking to us for leadership, and we must demonstrate our ability to lead. We are fearful that communism will have a greater influence on the free people if we fail in our leadership responsibilities. We firmly believe that the best way to demonstrate this is to adopt those policies which will encourage a dynamic and ever-expanding economy in the United States and among the free countries of the world through greater production and a broader exchange of goods and services.

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The American Farm Bureau Federation supports the reciprocal trade agreements program and opposes crippling amendments to this program. We are greatly disturbed by some of the provisions of H. R. 1612 as passed by the House of Representatives.

It has been aptly said, "If goods don't cross borders, soldiers will." We submit that the failure of countries to recognize this fact has contributed greatly to two World Wars during the past 35 years.

In our support of the reciprocal trade agreements program we have recognized the necessity of having this program handled in such a way that there would be equality of adjustment as between the major groups in this country. In other words, we have insisted that the rules of the game be such that farmers are not called upon to make a disproportionate adjustment by virtue of increased imports resulting from the operation of these agreements.

To avoid injustice to the producers of those agricultural commodities affected most directly by imports, we have supported, and continue to support, section 22 of the Agricultural Ajdustment Act. On this point the voting delegates to the annual meeting of the American Farm Bureau Federation, in December 1950, stated:

> Section 22 of the Agricultural Adjustment Act, which authorizes the use of import fees or quotas where imports threaten the operation of any of the several forms of domestic agricultural support programs, should be restored to full effectiveness by an amendment to provide that no international agreement shall be entered into by the United States, or renewed or extended, in contravention of said section 22; and further the remedies provided in this section should be promptly applied when necessary.

That is a quotation from the resolution.

We believe that proper use of section 22 will provide appropriate and effective protection to the legitimate interests of American farmers.

We would like to cover briefly the following aspects of the broad problems of expanding trade. We shall report to you as faithfully as we know how, the composite will of the membership of the American Farm Bureau Federation. We cover the following aspects:

Foreign trade as a weapon in the present world conflict.

Reciprocal trade agreements as a minimum adjustment in our foreign trade policy in the national interest.

United States' stake in foreign trade.

Agriculture's stake in foreign trade.

Recommended changes in H. R. 1612 to provide for a continued expansion of world trade on a sound basis.

Foreign trade as a weapon in the present conflict:

The American Farm Bureau Federation has consistently advocated expansion of international trade through the reciprocal trade principle. At its last national convention, the following resolutions regarding trade were adopted:

INTERNATIONAL TRADE

> The American Farm Bureau Federation recognizes the importance of international trade to the strength of our economy generally, and to the strength of our agricultural economy in particular. * * *
>
> The reduction of customs barriers and a freeing of world trade from the shackles of currency and quantitative trade restrictions should be the most important objectives of the United States trade policy.

Senator MILLIKIN. How much of that objective has been accomplished, "freeing of world trade from the shackles of currency and

quantitative trade restrictions"? How much of that objective has been accomplished?

Mr. LYNN. Well, I think it is hard to measure, but I am convinced that a great deal of progress has been made, certainly in Western Europe.

Well, the European Payments Union might be cited as one good example of action speed-up in the movement of goods in Western Europe. Certainly this should always be our objective, Senator Millikin.

Senator MILLIKIN. I have no objection to good objectives, none whatsoever. My objection goes to the failure over a long period of time to achieve those objectives.

In that connection, I am sure you will agree that at the present time there is not a country in the world that does not go in for quantitative restrictions, does not go in for export and import licenses, does not go in for monetary controls, that does not go in for bilateral agreements, which are particularly aimed at agriculture. Is that not correct?

Mr. LYNN. Well, sir, I think if we know our objective is right, we should not be too discouraged if we have not reached it up until now. We are not totally happy with the way the whole trade agreements program has operated, however we do believe that progress is being. made and we should continue toward the objective of expanding trade.

Senator MILLIKIN. Well, I have no objection whatever to the objective. I challenge that we have been making substantial progress, if your statement is that we have been making substantial progress.

Mr. LYNN. We sincerely believe that, sir.

The CHAIRMAN. All right, sir.

Mr. LYNN (continuing):

> These objectives must be considered not only in our own economic self-interest, but rather in a firm belief that the creation of healthy economic conditions and the development of strong self-supporting economics in the nations of the free world are vitally important to our security. If America is to be effective in helping accomplish these objectives, we must look realistically at our own trade policies and make the necessary changes in order to contribute our part in this endeavor * * *
>
> We reaffirm our position that, if we are to export at a high rate, we must import; however, we insist that all segments of the economy be treated equitably in the consideration of our import policies.

Senator MILLIKIN. You would not favor selling out agriculture, that is, you would not grant agricultural concessions in order to benefit industry, would you?

Mr. LYNN. Well, we think we all ought to share alike in the granting of concessions.

Senator MILLIKIN. Do you think that agriculture has shared alike? You surely are aware of the fact that of the trade agreements made in recent years, agriculture has had to bear the burden of these concessions.

Mr. LYNN. We recognize that agriculture may be bearing a disproportionate share at the present time.

Senator MILLIKIN. You are not in favor of that, are you?

Mr. LYNN. No, sir.

Senator MILLIKIN. No, of course not.

Mr. LYNN (continuing):

> Agricultural imports and exports are very nearly in balance. We believe the nonagricultural segments of our economy, as well, must be willing to allow greatly increased imports of consumer goods and strategic materials.

During the period of rearmament, when the supply of consumer goods will be limited and materials for defense scarce, we believe increased imports will aid in controlling inflation in America, contribute to our defense effort, and at the same time, give friendly nations an opportunity to earn the necessary dollar exchange in order to purchase goods from the United States * * *.

Senator MILLIKIN. But at the same time you want to preserve section 21 which permits you to get out from under quite properly, I think, excessive imports in the agricultural field.

Mr. LYNN. Where it is interfering with the domestic price support program.

Senator MILLIKIN. That is right.

Mr. LYNN (continuing):

Reciprocal Trade Agreements: We favor continuation and expansion of reciprocal trade agreements, but insist that reciprocity be maintained. This must be applicable to all segments of our economy. Renewal legislation should provide for impartial prior investigation of the probable effects in terms of monetary loss under alternative employment of resources resulting from concessions under consideration. We believe the guides within which concessions may be granted should be based on impartial scientific investigations of the Tariff Commission. Other safeguarding features such as the escape clause should be continued * * *.

Trade in strategic materials: Though we are in favor of greater trade, we cannot condone the shipment of strategic materials to Communist-dominated countries—not only because these materials are needed for our own defense effort and economy, but also because they contribute to the armed forces that now oppose American soldiers in battle. It is time to review the United States policy on trade to determine for the future which policy will best serve the interests of the free nations.

Senator MILLIKIN. You are aware of the fact I am sure that our colleagues in this reciprocal trade system send materials which have been considered as strategic to iron-curtain countries, and to Russia in turn, for their agricultural products?

Mr. LYNN. Well, sir, we hope that this type of trade has been decreased. We are aware that that has been the case, but I am not too familiar with the movements of the agricultural products in this regard.

Senator MILLIKIN. Well, you know that Great Britain has an agreement with Russia whereby she gets wheat from the Ukraine?

Mr. LYNN. Yes, sir.

Senator MILLIKIN. Ukraine is a part of Communist Russia, and you know, in return for that Great Britain is pledged to send certain industrial products to Communist Russia?

Mr. LYNN. Well, we might add, Senator Millikin, that our membership, in talking about this thing, have particular reference not only to the United States but to the ECA countries, for example, continuing to ship strategic materials that our exporters are prevented from shipping from the United States.

Senator MILLIKIN. That is right. So, I mean surely you would not approve those kinds of trades in agricultural products having the end results of increasing the armaments of countries which may be our enemies.

Mr. LYNN. Absolutely not.

Senator MILLIKIN. You would not favor increasing the dollar exchange of potential enemy countries?

Mr. LYNN. That is right sir.

Senator MILLIKIN. Which happens when we trade with those countries. They send stuff in here, they get dollars for it, they use the dollars to build up their preparation for war; is that not correct?

Mr. LYNN. Well, I think certainly we could not sell the membership of the Farm Bureau on the idea of sending anything to Russia or her satellites that would assist her in continued aggression.

Senator MILLIKIN. Certainly not. I felt certain of that, and the reason I asked the question is that I did not want any misinterpretation put on your own testimony.

You are aware of the bilateral agreements between Great Britain and the Argentine?

Mr. LYNN. Yes sir—not familiar with the details, but I am aware of the fact that they do have such agreements.

Senator MILLIKIN. You are aware of the aid that we give to Great Britain?

Mr. LYNN. Yes, sir.

Senator MILLIKIN. You are aware of the use that Great Britain makes of that aid to buy farm products from other countries?

Mr. LYNN. Well, we know that she buys from other countries. We have no particular objection to that, sir, because I think Britain has taken, for example, all the wheat that she said that she could take under the wheat agreement. Certainly we would like for Britain to buy from the United States, but if it is a dollar shortage and she can trade with the Argentine or other South American countries, we are not against that.

Senator MILLIKIN. One of the great purposes, I suggest, of the reciprocal trade system was to expand the exportation of American farm products. If it does not achieve that objective, it has failed in one of its principal objectives. How can you favor, at the same time, restricted bilateral agreements and these other hurdles that we have talked about against our export trade?

Mr. LYNN. We must recognize that with dollars being the only medium of exchange, so to speak, that can be used in world trade certainly this is true in buying from America, we have got to assist those countries by allowing their imports to enter the United States in order for them to earn dollars.

Senator MILLIKIN. You believe that we have a basic obligation to balance the monetary position of foreign countries with our money?

Mr. LYNN. No, sir.

Senator MILLIKIN. Of course, not.

Senator KERR. You think that in doing that, if you can do so on a constructive basis, that we build a greater economic strength here?

Mr. LYNN. That is right, sir.

Senator MILLIKIN. That assumes that we do so on a constructive basis.

Mr. LYNN. That is right, and we want to make recommendations that will make it on a constructive basis.

Senator MILLIKIN. You figure that the handling of our affairs to the extent that that handling has influence on the conduct of others, in a way whereby Great Britain for example makes agricultural agreements with Soviet Russia, that that is handling ourselves constructively?

Mr. LYNN. Well, certainly, I think we ought to discourage these bilateral agreements on every hand.

Senator MILLIKIN. Why, of course.

Mr. LYNN. And work under the General Agreements on Tariffs and Trade of which we are both a part, Britain and the United States.

Senator BUTLER. Mr. Lynn, this is a little off the subject you have just been covering, but I thought perhaps you could supply the information. I would like to know the reason for the importation of a big cargo of Irish beef into New York when England, right alongside the Irish, are importing it by the boatloads from the Argentine, as the Senator says, with our money?

Mr. LYNN. I am not aware of that particular case.

Senator BUTLER. That would be a good subject for the Bureau to investigate.

Mr. LYNN. Yes, sir. We will look into that.

The CHAIRMAN. All right, Mr. Lynn, you may proceed.

Mr. LYNN. The world resources—the food, raw materials, and industrial genius—fall more and more into either Communist or United States spheres of influence. Those dependent nations that we would have join with us in collective security but which lack these resources, must receive essential imports from either the United States or the Russian sphere of influence. The trade policy we adopt can either orient the economy and allegiance of these nations to our way of life or drive them to communism. We believe our trade policy must be such that will cause these people to orient their economy to ours and to the other nations whose aims for lasting peace are similar to those of the United States.

Over the long pull, we should recognize that in the ideological conflict between communism and democracy, our greatest weapon is not our military potential. Instead, our greatest strength is our ability to develop natural resources to improve living—in our philosophy of life that gives men hope, freedom, and happiness—in our energies that spring from free men—in our dedication to the teachings of Christ. We must rely ultimately and primarily on these as our weapons in the long struggle ahead. Our relationship with other powers must be based on enduring principles of right. Our way must seek to destroy the power of tyrants by extending to all peoples the opportunity to join with us in creating a world order in which improved living, freedom, liberty, and happiness flourish. We have the power to make reality of these virtues, by unselfish devotion to their achievement in the world as they were achieved in America.

In the meantime, to withstand aggression, we must be militarily strong. We must rely on the collective security that comes from marshaling for defense of the free nations of the world the industrial capacity, and the natural as well as the physical resources of all the free countries. The United States, with only 6 percent of the world's population, certainly does not have available manpower to win by sheer force of numbers. We do not even have a majority of the world's industrial capacity. We certainly do not have a major share of many of the world's most critical natural resources. However, together with the other free countries of the world, we do have from two-thirds to three-fourths of the world's industrial capacity and natural resources

Senator MILLIKIN. Would you mind listing those free countries? What are the countries that you consider the free countries, economically speaking?

Senator KERR. Is it possible that you refer to all of those countries outside of the domination of the Kremlin and the iron curtain?

Mr. LYNN. We refer to those countries which have said that they were on our side and not on the Russian side.

Senator MILLIKIN. And who have acted accordingly. Will you put that on——

Mr. LYNN. We like to think of it in those terms.

Senator MILLIKIN. You are not basing your thesis on what they have said, are you?

Mr. LYNN. Well, I think actions speak louder than words.

However, we do have in mind, Senator Millikin, the countries in Western Europe and all over the world who have said "We choose democracy rather than communism," and are leaning and showing some evidence of coming to us, democracy rather than communism.

Now, if your question is in regard to economic freedom. There are not too many countries that have real——

Senator MILLIKIN. You would have a hard time naming any of them, would you not?

Mr. LYNN. That is right.

Senator MILLIKIN. And we have some impairment of economic freedom in this country, but not as much, I suggest, as these other countries of the so-called free world, that they have.

Pardon me for the interruption.

Mr. LYNN. The first step for the immediate future is to capitalize on our great combined economic strength through our foreign trade policy to assure ourselves and friendly nations a dependable supply of essential food, fiber, raw materials, and industrial products. Certainly, we all agree that they should be paid for through the exchange of goods and services, but also win their allegiance as well. It is significant that 38 of the 39 members of the United Nations, with which this country has reciprocal trade agreements, backed the United Nations' action in Korea.

Senator MILLIKIN. Did they follow you?

Mr. LYNN. If you mean in regard to sending troops to Korea——

Senator MILLIKIN. Oh, they said Communist China is an aggressor.

Senator TAFT. Not 38 of them.

Senator MILLIKIN. That is what I am getting at. But nothing else happened. What else did you have in mind?

Mr. LYNN. Well, certainly 38 of the countries approved our action—38 of the 39 countries that we have reciprocal-trade agreements with approved our action in Korea.

Senator MILLIKIN. Have they contributed fairly to the military forces in Korea?

Mr. LYNN. I am not competent to judge, sir.

Senator MILLIKIN. You do not think they have, do you?

Mr. LYNN. We would like to see them do more.

Senator MILLIKIN. You do not think they have contributed fairly, do you?

Mr. LYNN. I would not like to use the word "fairly." Maybe they have not contributed their proportionate share.

Senator MILLIKIN. All right, put it that way.

Senator TAFT. Not only that, but when they got to Communist China, not 38 out of 39 did it; it was a bare majority.

Mr. LYNN. I know.

Senator TAFT. There was, this action against North Korea that you are talking about.

Mr. LYNN. That is right.

The United States stake in foreign trade, from an economic standpoint alone, justifies an expansion of healthy world trade to the limit. We learned a bitter lesson before the reciprocal trade agreements era that, even though our exports were only 10 percent of our national production, they were the balance wheel, that is, the safety valve. When that balance was destroyed by increasing tariffs, the results were disastrous. The reciprocal trade agreements program was initiated as one of the means of helping to lift the American economy from the stagnation which marked the depression period.

Senator TAFT. I dispute the whole thesis. I don't think there is a bit of proof, when you say "when that balance was destroyed by increasing tariffs, the results were disastrous." There is not the slightest evidence of that. There never have been the imports under the Smoot-Hawley law and the McCumber tariff in 1928 and 1929—they were the largest we ever had for 15 years after that time, and the result of the falling-off in imports was not the Smoot-Hawley tariff at all; it was clearly the general world depression which deprived us—and the depression here which deprived us—of purchasing power to buy imports. I do not think there is the slightest basis for that thesis that there was any balance destroyed by increasing tariffs in the twenties or that necessarily the foreign trade has the role of the predominant factor which you give it in that paragraph.

Of course, it is an important factor; I do not mean to say that it is——

The CHAIRMAN. We had a pretty tough time, did we not, 1931, 1932, 1933?

Senator TAFT. That was the result of the domestic collapse.

The CHAIRMAN. 1931, 1932, 1933.

Senator TAFT. That was the result of the depression that occurred here and elsewhere which had nothing to do with the falling-off of trade. Trade did not fall off until after the depression began and got well started.

Senator MILLIKIN. Assuming for the sake of discussion——

The CHAIRMAN. I think that is a debatable issue.

Senator TAFT. It may be, but I say I dispute the whole thesis.

Senator MILLIKIN. Assuming for discussion's sake, the validity of the thesis, your objection goes to each nation going into—to use the hackneyed phrase—economic isolation, is that correct?

Mr. LYNN. That is what we mean.

Senator MILLIKIN. Is that not exactly what the state of the world under the reciprocal trade system is?

Mr. LYNN. We do not think so.

Senator MILLIKIN. What effect do you attribute to these bilateral agreements? What effect do you attribute to export and import licenses? What effect do you consider monetary controls to have? What are the effects of those, except to show economic isolationism in these countries?

Mr. LYNN. As I said in the beginning, we are opposed to these bilateral agreements. We do think there has been great progress made under the reciprocal trade agreement program, and do not misunderstand us in saying that we think the thing is perfect, but we do think progress has been made under the reciprocal trade agreement

program, in expanding world trade, and cutting down the number of bilateral agreements and trade wars.

Senator MILLIKIN. Does not the progress that you refer to, in the main, consist of expanded world trade due to our own aid policies to other countries?

Mr. LYNN. Well, certainly that has contributed to our volume of exports.

Senator MILLIKIN. Would you not say it was a very substantial contribution?

Mr. LYNN. It is a substantial contribution.

Senator MILLIKIN. So, we cannot take the reciprocal trade system and say it is due to the reciprocal trade system that we have increased either exports or imports; is that not correct?

Mr. LYNN. Well, sir, if our foreign aid programs, which certainly Congress must have hoped—and certainly we have supported and hoped—that it would improve these economies and get them back on their feet as soon as possible—we believe that accomplishes its objective—and it has been successful—then we would like for these people to look to the United States as their source of supply for these commodities, some of which they have been receiving from the aid dollars that we have granted them.

Senator MILLIKIN. Well, not some of which. A considerable part of which, would you not say?

Mr. LYNN. I would not say a considerable part of which. I think, after the ECA program was started in 1948 or 1949, perhaps half of our agricultural exports could be directly attributed to the foreign-aid program, but I do not——

Senator MILLIKIN. That is a very substantial figure under your own theory.

Mr. LYNN. I would say about half.

Senator MILLIKIN. Yes.

Senator KERR. You do firmly believe that the American economy was then in a state of stagnation in the early 1930's; do you not? There is no doubt about that in your mind; is there?

Mr. LYNN. No, sir. I remember that very well.

Senator KERR. And you feel that there is ample basis to justify the statement that the reciprocal trade agreement program was one of the means of helping lift it out of that?

Mr. LYNN. Well, we firmly believe that it assisted.

Now, how much weight you can give to it, I am not sure.

Senator KERR. Now, then, with reference to the foreign-aid program, the basis of our action in that regard was to assist other nations of the world, whom we wanted to be friendly with us in the struggle against communism, to get stronger in their own right.

Mr. LYNN. That is right.

Senator KERR. If, in the program of getting stronger, they found it to their advantage to buy American agricultural products, you would not hold that against them; would you?

Mr. LYNN. No, sir.

Senator MILLIKIN. With reference to the notion that the reciprocal trade agreement was effective in pulling us out of the depression in the 1930's, do you know when we accomplished our first important reciprocal trade agreement in the 1930's?

Mr. LYNN. It was along about 1937 or 1938; was it not?

Senator MILLIKIN. Yes. Then, we went right into preparation for war; did we not? Is that not correct?

Mr. LYNN. Well, soon after that, sir.

Senator MILLIKIN. So, was it not the preliminary lifting of our economy due to helping our later allies prior to World War II that started to pick things up, started picking things up just prior to World War II; that was the dominant factor rather than the results of trade agreements which had hardly been executed prior to the commencement of the war?

Mr. LYNN. Well, I would just say again, sir, I am not enough of an economist to be sure, but we do believe that the trade-agreements program and the freeing of these trade barriers helped the United States in making progress.

Senator MILLIKIN. In the 1930's?

Mr. LYNN. In the 1930's; yes, sir.

Senator MILLIKIN. You may not be enough of an economist to satisfy your own purposes, but you are enough of an economist to know that a trade agreement that is not negotiated until 1939 could hardly have had any effect prior to World War II; is that not correct?

Mr. LYNN. Well, we did not really get going until 1941 or 1942 in our total mobilization.

Senator MILLIKIN. Of course not. We declared war in 1941—late in 1941. Early in 1941 we were, in fact, in war in the North Atlantic, and prior to that time we had commenced to build airplanes and everything else for those countries which later became our allies. Is that not correct?

Mr. LYNN. That is right, sir.

Present exports are roughly $12,000,000,000 per year. These exports provide jobs for some 2,500,000 industrial and commercial workers in America, in addition to agricultural workers. United States imports are still at the relatively low levels of the thirties—the equivalent of 2.7 percent of the gross national production compared with 4.4 percent for the decade of the twenties. Exports have returned to about the level of the twenties. Dollar value, of course, is higher. Agricultural products represent about one-half of our imports but only one-fourth of our exports, and we refer you to table V, attached to this statement, for figures on that.

The over-all problem of dollar shortage affects the operation of the reciprocal trade-agreements program. So long as foreign countries do not earn sufficient dollars, various forms of import restrictions are almost inevitable in order to allocate limited dollar receipts to the payment for those import commodities considered most essential by the governments. Many of these countries would buy some of our exports if they had the means of paying for them. The best means of their getting money to pay for them is to increase their exports.

Senator MILLIKIN. Mr. Chairman, may I suggest to the witness that one of the best ways would be for them to stabilize their own currencies to such an extent that they would have value in the free market, and if they had value in the free market you could buy goods anywhere in the world; is that not correct?

Mr. LYNN. By all means.

Senator MILLIKIN. That objective has not been achieved; has it?

Mr. LYNN. Not completely, sir. And we think that is what has got to be achieved and, certainly, must be the basis for our billions of

dollars of expenditures in the foreign-aid program, to help them achieve economic stability.

Senator MILLIKIN. Exactly, I think, our aid programs have succeeded in many important directions, but one of the great criticisms is that that central ambition has not been realized. As a matter of fact, we have more nationalism among the countries of Western Europe than we have ever had, and that these trade barriers that existed between them in monetary matters and in exchange of goods have not been broken down; that each one of those countries is trying to be self-sufficient militarily, and that the conditions we hoped to create have gone in the opposite direction.

Mr. LYNN. Well, sir, I could not agree that the complete statement is true. I have spent, since 1945, 3½ years in Europe. Now, I had not been there before the war, but I do know that progress has been made in freeing the exchange of goods in Western Europe since 1945.

Of course, 1945 was right after the war period, and I realize that everything was at a very low ebb, but in 1947, 1948, and 1949 great progress was made.

Senator MILLIKIN. You will agree that there is no free exchange of currencies, for example, in Western Europe?

Mr. LYNN. That is right.

Senator MILLIKIN. How are you going to have a free exchange of goods unless you have a free exchange of currencies?

Mr. LYNN. Well, you cannot.

Senator MILLIKIN. No.

Mr. LYNN. But certainly our efforts are in the direction of trying to make their money exchangeable; are they not?

Senator MILLIKIN. At the start of your valuable discussion, I think I agreed with you that we should always hold to good objectives, but I think, when we start laying out policies, we have got to give consideration as to whether those objectives have been realized or whether they are realizable within a reasonable period of future time.

Senator TAFT. You think that possibly we may have overdone this business of encouraging imports. In the last 6 months the imports have balanced the exports, and a lot of the exports are given away, so that we have had a substantial drain on our gold.

Do you not think, perhaps, that we have overdone this business of encouraging imports?

Mr. LYNN. Well, I do not think we have, sir. I have not studied our recent imports in detail.

Senator TAFT. For the first time in many years we are having a drain of gold. The exports and imports are about equal.

Mr. LYNN. That is right, the exports and imports are about equal.

Senator TAFT. And yet we are giving 3 billion dollars' worth of exports so that we are actually in a position where the rest of the world is drawing on us now, and the dollar is no longer nearly as powerful as it was abroad. It is not at all short. You talk about its being short. It is not short at all at the present, so far as I can discover, except in a few countries where they are very poor.

Mr. LYNN. This increase in imports, Senator Taft, we are getting a great deal of the material that we need very badly for our mobilization efforts; are we not? In wool——

Senator TAFT. I could not tell you what they were. I have not analyzed it. I just noticed the total imports have gotten up to where

they equal the total exports, and that is the first time that has happened in many, many years.

Mr. LYNN. Yes, sir.

Senator TAFT. I do not think the reciprocal-trade program was in the 1920's, but it is effective now. You have got the tariff down to a point where the total average tariff is only about 5 or 6 percent. It is about 13 percent on dutiable items, on the average, and that is about one-third of the Underwood tariff; so, it just occurs to me that maybe you have accomplished all your purposes, and a little more.

Mr. LYNN. Well, other countries have given concessions at the same time, which allow our goods to move more freely, Senator.

Senator TAFT. Well, they have not moved more freely. That is what I say. Our exports have not increased; in fact, they have decreased substantially in the last couple of years. In spite of the fact that we gave away a lot of them, they have actually decreased in the last year.

Senator MILLIKIN. We are operating on a deficit when you have give-aways; are we not?

Senator TAFT. Oh, yes; substantially so.

The CHAIRMAN. All right. Please proceed.

Mr. LYNN. If the United States and other countries follow policies which unduly restrict imports, it inevitably follows that the volume of our exports likewise will decrease.

Reciprocal interests in expanding trade exist whether or not we have programs in operation which implement the mutual interests of the various countries in expanding trade. The American Farm Bureau Federation recognizes that, unless some means is found of developing an affirmative trade policy which will enable other countries to have the dollar exchange necessary to purchase our exports, United States producers, including American farmers, will be faced with sharply reduced market outlets. This will become more evident if United States Government foreign-aid programs are reduced or eliminated.

Every major industry and occupation in our economy, and consumers generally, have an important stake in the broad benefits of a sound, continuing, and expanding United States export business. We believe that continued progress toward our objective of expanding trade can be made by pursuing the policy of working out with foreign governments mutually satisfactory arrangements whereby we make concessions to import more in exchange for concessions which will make it possible for us to export more.

Senator MILLIKIN. Would you favor trading off one agricultural product to benefit another, so far as exports are concerned?

Mr. LYNN. No, sir. I think we have got to keep a balance. We cannot afford to "sell out" any group of producers.

Senator MILLIKIN. You would oppose selling out agricultural products so far as concessions are concerned, in order to increase the export of industrial products; is that not correct?

Mr. LYNN. Well, again, we think that agriculture and industry must take their proportionate share of the imports.

Senator MILLIKIN. Yes.

Mr. LYNN. And thereby get their proportionate share of the exports.

Senator MILLIKIN. That is another way of saying—your philosophy is—that no segment of this country should be injured.

Mr. LYNN. That is right; unduly injured, let us say.

Now, a lot of people holler that they are injured when, as a matter of fact, they are not. That is certainly true in some segments of agriculture.

Senator MILLIKIN. Of course. I agree with you that some may not be injured. I think the testimony will show that a lot have been injured and a lot threatened with injury. But passing how we might weigh the fact, you are not in favor of injuring or threatening with serious injury any segment of our econony; are you?

Mr. LYNN. If it is proven on investigation by the Tariff Commission or by the Secretary of Agriculture, in regard to agricultural items, that that is the case, then we are for invoking section 22 or the escape clause in the trade agreements.

Senator MILLIKIN. That is, although we may not be succeeding the whole purpose of the bill before us to see that there is no injury or threat of injury to any segment of our economy in this country; that is all we are trying to do.

Mr. LYNN. The purpose of a trade program is to expand trade—H. R. 1612 would only protect.

Agriculture's state in foreign trade: We believe that the figures presented as a part of this statement (appendix, table I) will show conclusively that agriculture has greatly benefited from increased trade.

The American Farm Bureau Federation is a general farm organization. It is an independent, nongovernmental organization of farmers. It is a voluntary dues-paying organization representing all segments of agriculture. We realize that there are several one-commodity interests that would permanently cripple and destroy the trade-agreements program. These groups, no doubt, are trying to represent the best interest of these commodity producers. However, we are thoroughly convinced that, on the basis of the facts contained in table I (appendix), American agriculture's interests can best be served by expanded trade on a reciprocal basis.

In the last complete fiscal year, agriculture exports were about $3 billion, or 11 percent of the value of our national farm output. In total, these agricultural exports are equal to the production of all the agricultural land of 10 Southeastern States, and we refer you to the little map attached to this statement, showing which States they are.

In 1949, 11 percent of total United States agricultural production was exported. When viewed by commodities, the importance of exports takes on greater significance. In 1949, the percentage of national production of selected agricultural commodities which were exported are as follows:

	Percent		Percen
Wheat	39. 0	Resins	34. 0
Rice	40. 0	Soybeans	10. 3
Cotton	32. 6	Soybean oil	17. 2
Tobacco	25. 6	Milk, evaporated	12. 7
Lard	23. 7		

We could list many other items.

Mr. Chairman, I would like to call your attention to the fact that these agricultural products are produced more efficiently in the United States than in any other areas of the world. Our production of these products could be substantially increased if there were dependable foreign markets. Exports of these products could be rapidly expanded if foreign countries could earn dollars to buy more of them.

Senator TAFT. You say "more efficiently," but you do not mean at a lower price, do you? We cannot compete with Burma in rice, and you cannot compete with the Argentine in wheat, can you—more efficiently? What makes you think that you can increase it if——

Mr. LYNN. Sir, we thought about that question a lot. It is a debatable question whether or not with our——

Senator TAFT. We are holding the price of wheat here, which is way above what—as I get it, most of these foreign nations will buy somebody else's wheat if we do not pay them to buy ours. I do not quite see where this expansion is going to take place in the export of products.

Mr. LYNN. I think, sir, that——

Senator TAFT. Cotton is about the only thing I can see where you have got any hope.

Mr. LYNN. Maybe our continuation of rigid high price-support programs has been one reason for this pricing ourselves out of the market in some of these products, that is before Korea, and I would not want anything I say interpreted to mean that we are not for parity for agriculture, but there have been some danger signs that we could price our products too high.

Senator BUTLER. Is there not a shortage of some of these items now, for instance, cotton?

Mr. LYNN. Oh, yes, sir, a very drastic shortage.

Our ability to maintain our markets we have had over a long period, and to expand exports of those commodities in whose production we have the greatest comparative advantage, will be determined by the sort of trade policies which are adopted and followed. We firmly believe that a vigorous implementation of a sound reciprocal trade policy is consistent with this objective.

We would like to refer again to table I attached to this statement. You will see that in 1949–50, of the agricultural commodities under price supports, the United States exported 2,565,000,000 and imported $535,900,000, or a ratio of over 4½ times as many exports as imports. We call your particular attention to the situation revealed by this table with regard to cotton, wheat, feed grains, tobacco, oil and oil seeds, and dairy products.

We call your attention to table II, attached to this statement, dealing with the export and import of grains and feed. Please note the favorable balance of $280,500,000, or a ratio favorable to the United States of over 5½ to 1. We would also point out that with regard to fats, oil, and oil seeds, a favorable balance of about $147,-000,000 has resulted in favor of the United States, or a ratio of 9 to 1.

Senator MILLIKIN. How much would you estimate the taxpayers, including the farmers, paid by way of a foreign aid to produce that result?

Mr. LYNN. Well, our foreign aid program in 1949–50—I do not recall the figure, but it must have been about $4 billion. Was it not?

Senator TAFT. $4½ billion is the sum I have in mind.

Mr. LYNN. Something like that.

Senator KERR. You do not know what part of that amount of money received by other countries they, in fact, used to buy our agricultural products? You do know it is an amount considerably less than even half of the total?

Mr. LYNN. Well, yes, sir; it was less than one-half of the total.

Table IV illustrates very conclusively the favorable balance with regard to dairy products, a ratio of more than 30 to 1 for those commodities under price support, and a ratio of almost 4½ to 1 when we consider all dairy products.

The major agricultural export products of the United States have received many tariff concessions from foreign countries. Fresh, canned, and dried fruits, and canned vegetables are among the items granted concessions from the greatest number of countries, most of them being real trade barrier reductions, such as larger quotas, reduced tariffs, and so forth. About two-thirds of United States agricultural exports received tariff concessions.

I might add, Mr. Chairman, that we had attached to this statement originally a copy showing the concessions by countries and by commodities, but we noticed the Secretary of Agriculture put that in, and we did not.

Mr. Chairman, we have gone into considerable detail with regard to agricultural trade because we feel, first, that we are more competent to discuss this aspect of trade; and, second, that a dynamic and expanding world trade is essential to the welfare of agriculture and the national economy. Similar information is available for other segments of our economy, and we hope that during the course of these hearings, information will be furnished this committee by other groups to demonstrate the value of trade among all segments of our economy.

Early in 1950, in order to better inform the membership of the American Farm Bureau Federation with regard to world affairs and trade, we developed, published, and distributed copies of the attached pamphlet entitled "Farmers and World Affairs." The information contained in this pamphlet is based on official statistics and demonstrates conclusively the farmer's stake in world affairs, with particular reference to trade.

The leaders and membership of the American Farm Bureau Federation had an opportunity to study this and similar material during 1950, and the resolutions dealing with this subject developed by the voting delegates at the thirty-second annual convention reflect the keen interest of the membership of this farm organization in sound trade policies.

We believe the effects of the amendments adopted in the House to H. R. 1612 would be much broader in their implications than is generally realized. We believe that a strict interpretation of the language contained in some of these amendments would impair the effectiveness of the entire program and, in fact, would require cancellation and revision of many of the existing agreements. The procedural problems raised are tremendous, and in many cases the provisions are unworkable.

Section 8 of the bill is particuarly dangerous. Instead of aiding agriculture, as the amendment is supposedly intended to do, we think it would be very harmful. Under the present agreement, all concessions given and obtained are firm and binding. These firm concessions by foreign countries on our agricultural exports have certainly been effective in stiumlating our foreign sales of agricultural products.

Senator MILLIKIN. They are firm and binding, are they not, until the foreign country decides to escape?

Mr. LYNN. That is right; you have an escape under the escape clause.

Senator MILLIKIN. The escape is available to every member that has joined with us in reciprocal trade agreements, with the exception of six or seven countries where we are now trying to negotiate escape clauses; is that not right?

Mr. LYNN. That is right, and we are glad that the escape is there, because we need to use it in some cases.

Senator MILLIKIN. Yes.

Mr. LYNN. Our exports to agreement countries have increased significantly since these concessions were made. If we change this procedure and withdraw our firm concessions to them, and substitute therefor a flexible tariff, we must expect them to withdraw their firm concessions to us. Our exports would then be exposed to the whim of every new administration abroad. Duties and quotas could be raised on our agricultural exports to meet whatever standard the ever-changing administrations might devise.

Senator MILLIKIN. That is true also as to foreign countries, is it not?

Mr. LYNN. Well, this has reference to foreign countries.

Senator MILLIKIN. I mean every change in administration in a foreign country can take a different view as to concessions that it has made in its trade agreement and can escape.

Mr. LYNN. We think they would be far more tempted to do it under section 8, if adopted, than they will if it is eliminated, because section 8—no concession would be binding and, in other words, it would be flexible; if the product reached the price support or lower, therefore, you could give no real binding figures on concessions, and I believe that the foreign countries, particularly in Western Europe, are in better position to put in "gadgets," if you please, in regard to trade agreements than we are, because they have demonstrated time and time again that they have a lot of gadgets that they can use in keeping out our imports.

Senator MILLIKIN. It may have been inattentiveness on my part, but I do not quite get the scope of your objection to this section 8. Would you mind restating it?

I hate to ask you to do it.

Mr. LYNN. As it is now, through the Trade Agreements Committee and the Tariff Commission, after a long series of discussions—and we meet and discuss this with these Government people throughout these hearings—they arrive at a figure, maybe within a range as to how far we, the United States, could go in making any more concessions in regard to a particular product.

Senator MILLIKIN. The peril point?

Mr. LYNN. No, sir.

Senator MILLIKIN. That is the purpose of the peril point. Do not be worried about the phrase; that is exactly the substance of the peril point.

Mr. LYNN. We are not objecting to the peril-point provisions of this act.

Now, then, that concession, when it is given, is good. In other words, we are bound to it and they are bound to it, except where the excess importation of that particular commodity is interfering with our domestic programs, and then we have the escape clause of the

trade agreement act, and, particularly, section 22 for agriculture, which says that we can put on a quota, etc.

Now, under section 8, as written, it would mean that automatically when a commodity was coming into this country—an agricultural commodity and after the duty was paid it was selling for the support price of that commodity domestically—a quota would be put on, period. We believe that is unnecessary, because the Secretary of Agriculture has that authority in section 22, and we have it under the escape clause which is written in, I think, most of our trade agreements. And I hope it is writtin in all of them.

Senator MILLIKIN. How many escapes have been taken either under the—first, under the escape clause? How many have been taken under section 22?

Mr. LYNN. I think about—it has been used in the case of wheat and cotton. I believe it has been used in tree nuts under section 22. It has been used in wool. I am not too sure of that, sir, but it has not been used a great deal.

Senator MILLIKIN. Many applications have been made, have they not?

Mr. LYNN. There have been some applications. We are for using section 22. We think there is too much delay from the time an individual or group who say they are being affected by this thing—there is too much delay between the time they get a hearing and the time when the decision is reached. We are not saying what the decision should be, but producers should be given a prompt hearing and somebody should decide whether or not they are being injured.

Senator MILLIKIN. Well, under the present procedure you have got, it vests so much discretion in so many people. You have discretion in the Secretary of Agriculture. You have discretion in the President, you have discretion in the Tariff Board. The thing may pass out of the phase of being an agricultural problem, into a general political problem, a general diplomatic problem. Do you prefer that kind of a situation to something that would be automatic?

Mr. LYNN. We firmly believe, sir, that the Government agencies—Agriculture, Commerce, State, and the Tariff Commission—we would like to see the Tariff Commission take a more active part and have a say, if you please, in these negotiations, and we so recommend in this statement. But we believe the procedure they are following now is sound. We are not saying that it is perfect. There have been some mistakes made, but we believe that the method now being followed is certainly sound in principle, because we have had——

Senator MILLIKIN. It is sound if proper discretion has been used; is that correct?

Mr. LYNN. I think that is true in any situation.

Senator MILLIKIN. That is what you are saying: You believe in the principle, but in the end it comes down to whether sound discretion has been exercised. Is that not it?

Mr. LYNN. I think that is true, sir, of any law; but we are doing whatever we can to make sure that sound discretion is used in those.

Senator MILLIKIN. Well, of course, under the law as it now stands you have no assurance of sound discretion; you have an assurance of discretion, but no assurance of sound discretion. Do you approve, for example—and have you approved—of the discretion with respect to the importation of potatoes and dried eggs?

Mr. LYNN. Well, we have not taken any direct action. We did contact the State Department and the Department of Agriculture, both in connection with the importation of the dried eggs from China; but with the Chinese trade agreement canceled, it was soon corrected.

Now, in regard to potatoes——

Senator MILLIKIN. Then, it took a war to correct the egg matter.

Mr. LYNN. Well, I am not sure that it was the result of the war, but anyway we have withdrawn any concessions we had given to China, because they withdraw from the General Agreement on Tariff and Trade.

The CHAIRMAN. All right, you may proceed.

Mr. LYNN. Since our exports of commodities on which we have price supports in this country are 4.5 times our imports, we have much more to lose than to gain. We fear this amendment would "boomerang" badly and seriously injure our capacity to maintain sizable agricultural exports.

On the other hand, such a flexible scheme would be unmanageable from an operational point of view. To secure a low tariff, foreign speculators would doubtless drive their prices up; then to gain a market, these same speculators would reduce their prices overnight before the tariffs could be changed. In general, the experience of flexible tariffs throughout the world has been wholly unsatisfactory.

Senator BUTLER. Mr. Lynn, on that last statement, "In general, the experience of flexible tariffs throughout the world has been wholly unsatisfactory," do you add any data here indicating where those experiences have occurred?

Mr. LYNN. I could not, at this time, sir.

Our main argument is that section 8 is unnecessary to afford proper protection to agricultural producers in this country. The escape clause of the Reciprocal Trade Agreements Act and section 22 of the Agricultural Adjustment Act of 1938, as amended, provide ample authority for restricting imports which may interfere unduly with the operations of domestic price-support programs.

We do urge that section 22 be used effectively when and as necessary. We favor section 22 being amended to make certain that the original intent of the law is carried out. This is the proper procedure for protecting agriculture. Section 8 of this——

Senator MILLIKIN. How would you do that?

Mr. LYNN. Strike paragraph (f) of section 22. That says, "Nothing stated above shall interfere in any way with any trade agreement"—I do not recall the exact language.

Senator MILLIKIN. I know what you mean now. That is what we call the joker clause.

Mr. LYNN. I do not know. I am not familiar with that phrase.

Senator MILLIKIN. That is the clause that would bring our agricultural program into complete harmony with GATT.

Mr. LYNN. Well, section (f)—or paragraph (f) says:

> No proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party.

Senator MILLIKIN. That is another way of saying that if it is necessary to protect agriculture and it becomes necessary to violate the

terms of GATT, we shall go ahead and violate the terms of GATT; is not that what it comes to?

Mr. LYNN. I do not believe that is it.

Senator MILLIKIN. Well, then, give me your interpretation of it.

Mr. LYNN. That is substantially correct. In other words——

Senator MILLIKIN. Yes.

Mr. LYNN. We should get section 22 to conform with the General Agreement on Tariffs and Trade, and we are allowed under the General Agreement on Tariffs and Trade that when we have domestic programs and price supports or disposal programs, we can invoke the escape clause and put on a quota or whatever is necessary to protect those programs, and we think that section 22 should be made fully operative, as was the intention, I think, in its original passage.

Senator MILLIKIN. Without necessary regard for some international agreement that might operate against doing it; is that not correct?

Mr. LYNN. Well, I think, sir, if I understand your question, we have got to take the political situation in view in taking these actions between countries, because—Well, I think maybe—that is sometimes necessary.

Senator MILLIKIN. Let us get ourselves straight on this, because this is important.

The clause was put into the act—I do not know exactly why it was put in there, but I am assuming it was in because someone had the notion that we should conform the procedures under section 22 to those which are called for in the Executive Agreement which has been made in GATT. Now, go with me that far.

Mr. LYNN. Well, I don't want to give misinformation, sir, and I do not want to agree when I am not too sure of what you mean.

Senator MILLIKIN. You state it in your own way.

You want to get rid of that. Why do you want to get rid of it?

Mr. LYNN. We feel that that, perhaps, the effectiveness of section 22 is lost if you leave paragraph (f) in, because it says "it shall not be enforced in contravention of any treaty or any other international agreement" that we might have.

Senator MILLIKIN. Yes.

Mr. LYNN. If that treaty or international agreement is in conformity with the General Agreement on Tariffs and Trade, then we are for it, and then we think section 22 should be enforced in line with that General Agreement on Tariffs and Trade, and in line with the provision in that agreement that would allow us to do it. Just because we have a trade agreement with a country should not prevent our using section 22 if it becomes necessary on investigation, and the Secretary of Agriculture determines that it is necessary to use it.

Senator MILLIKIN. As it may be modified by GATT; is that correct?

Mr. LYNN. Yes, that is right.

Senator MILLIKIN. In other words, you are willing to tie our agricultural program to GATT?

Mr. LYNN. I think so, yes, sir, because we would be allowed to use section 22 and the escape clause.

Senator MILLIKIN. Is that correct?

Mr. LYNN. Yes, sir.

Senator MILLIKIN. I will just ask you one question: Have you studied GATT?

Mr. LYNN. Well, I have not made a detailed study of it, but as much as a layman would be expected to know, we think the general principles of the General Agreement on Tariffs and Trade are sound, and we have supported these principles.

We had some of our leaders in on the negotiations of these principles.

Senator MILLIKIN. Then, I suggest you should not be in favor of taking it out, because the purpose of that in the act is to tie 22 to GATT.

Senator TAFT. Mr. Lynn, may I get your position? This section 8 says:

> No reduced tariff or other concession resulting from a trade agreement entered into under this section shall apply with respect to any agricultural commodity for which price support is available—

and so forth. That is automatic.

As I understand it, you are willing to leave the whole thing under section 22 to the President, providing we take (f) out; so, in a way, you are advocating something just about as radical as section 8, it seems to me, except that you are willing to leave it to the discretion of the President as to whether he does it or not? Is that right?

Mr. LYNN. I think that is the principal difference. And also, Senator Taft, I think section 22 and the escape clause have to be used in this connection.

Senator TAFT. This section 22, under that the President may add tariffs, may he not? He may add——

Mr. LYNN. Quotas or tariffs.

Senator TAFT (continuing). Quotas and tariffs, both; is that right?

Mr. LYNN. Well, whichever one which would be effective in giving the necessary protection intended under section 22.

Senator TAFT. So that, in effect, he could do, if you take (f), under 22 just exactly what is done here, as a practical matter; do you not think?

Mr. LYNN. Oh, yes, sir, he could. But there might be conditions prevailing in the United States that would cause the commodity temporarily—you know prices of agricultural commodities fluctuate tremendously, and we would not want to see this section 8 used automatically in that case. Maybe in 3 or 4 weeks the price would start back up again. That is particularly true in regard to fruits and vegetables.

Senator TAFT. In substance, really you are for the principle of this, but you want to leave it to the discretion of the President, instead of making it automatic. Is that not about what it comes to?

Mr. LYNN. I believe that is substantially correct, but there is an important difference. We believe that the Tariff Commission and the Secretary of Agriculture should be the competent authority to make the investigation and determine when that is supposed to be used.

The CHAIRMAN. All right——

Senator KERR. Is it your position that under section 8 you would have to do these things, whether he either wanted or needed to, while under section 22 if it is needed to be done, it can be done?

Mr. LYNN. That is right. Under section 8, it is automatic.

Senator MILLIKIN. You understand that in the exercise of that discretion, a whole lot of things might be considered that go beyond the agricultural question?

Mr. LYNN. That is correct, sir.

Senator MILLIKIN. You are willing to take that risk—take on that risk?

Mr. LYNN. Well, we are willing to take that risk and beat the table as often as is necessary to make sure that the thing is being carried out as is intended.

Senator TAFT. Beat the table, but you mean you would not walk out. Is that what you mean?

Mr. LYNN. We have not yet, sir. [Laughter.]

Senator MILLIKIN. I would like to call attention to the fact that a lot of people are beating the table for relief under section 22 and have not gotten it.

What I want to do is to give a friendly suggestion. I do not want to debate it at all. There will be time for that later. Be sure before you tie your program to GATT to make a very good analysis of GATT to see what you will do with your program. The Secretary of Agriculture fell into that error the other day.

The CHAIRMAN. If I understand your position, you do not think that section 8, this amendment, sets out a proper procedure. You would rather proceed under the escape clause, plus whatever action may be taken under 22?

Mr. LYNN. That is right.

The CHAIRMAN. There should be a modification of 22 so far as subsection (f) is concerned.

Mr. LYNN. That is right, sir.

Mr. CHAIRMAN. All right.

Mr. LYNN (continuing). This is the proper procedure for protecting agriculture—and that is with reference to section 22 being used effectively when and as necessary, and being amended to make certain that the original intent of the law is carried out. Section 8 of this bill is not the proper procedure, and we recommend that it be deleted.

We have no particular objection to section 4, the so-called "peril point" amendment, except that we believe the procedural language should be changed so as not to disqualify the Tariff Commission from full participation in all discussions and negotiations.

Section 7, we feel, is unnecessary, cumbersome, duplicating and impracticable. Besides, it makes possible the cancellation of many outstanding agreements. The present escape clause plus the peril point provision certainly should be ample to deal with any situation.

Senator MILLIKIN. Going back to the previous statement. Do you believe the Tariff Commission should be an active participant in negotiations with foreign countries?

Mr. LYNN. Right, sir.

Senator MILLIKIN. You understand that the Tariff Commission is an agency of the Congress?

Mr. LYNN. That is right; so is the Department of Agriculture.

Senator MILLIKIN. That is right.

Do you believe that we preserve the proper distinction between a legislative and an executive branch when we use agencies of Congress in the conduct of our foreign affairs?

Mr. LYNN. Well, we have a delegation, for example, now in England negotiating under our trade agreements program. Before they went over there they went through long processes of hearings, and so forth.

We think that the Tariff Commission should have a more active participation and part in these preliminary hearings and all the way through, and that, perhaps, they should accompany our trade agreement negotiators to England.

Senator MILLIKIN. They are there right now.

Mr. LYNN. And have a great deal to say along with our other trade agreement negotiators.

Senator MILLIKIN. They are there right now; I do not know of anyone who would not want them to be there. But the question is whether they shall supply information and recommendations to our own people or whether they shall be active participants in the negotiations.

Mr. LYNN. Well, I think the role should be primarily the supplying of information and making recommendations through our delegates.

Senator MILLIKIN. You have some doubt as to whether they should be active participants in the negotiation itself as negotiators?

Mr. LYNN. I think their mission should be to supply information and advise.

Senator MILLIKIN. All right.

Mr. LYNN. We recommend, therefore, that this committee give favorable consideration to H. R. 1612, after striking section 7 and section 8. If this committee does not see fit to strike section 7 from this proposed legislation, we would recommend that the language be modified to include criteria for agricultural products. Also, we would suggest that the language be changed to give the Tariff Commission an opportunity to participate fully with the Trade Agreements Committee in the studies and negotiations of trade agreements.

That was the question that you were asking, and in the negotiations we feel that maybe I am doing the talking for the United States but besides me is a member of the Tariff Commission who gives me the dope.

Senator MILLIKIN. I can see no objection to that, and I do not think anybody has ever objected to it. Those of us who have objected to the participation of the Tariff Commission have said "You shall stop short of engaging in negotiations which is the function of the Executive department of this country; that Congress has no jurisdiction to be negotiating agreements or treaties with other countries."

Mr. LYNN. We hope that the Senate of the United Srates will carefully consider the implications of the provisions contained in H. R. 1612 that would be detrimental to world trade, and that the reciprocal trade agreements program be extended without crippling amendments.

Senator MILLIKIN. Let me add to that one other observation. One of the reasons is that the Tariff Commission is supposed to have a certain judicial function, that it is supposed to be the finder of facts and, perhaps, supposed to recommend to our own Government agency whatever conclusions it may have from those facts. When you make a negotiator out of the Tariff Commission, it is the same as making a negotiator in a lawsuit out of the judge.

Mr. LYNN. Well, I think we concur in that.

Senator MILLIKIN. Thank you.

Mr. LYNN. I would like to call your attention, sir, to the tables attached to this, which are in considerably more detail than those presented by the Secretary of Agriculture, and also call your attention

to this little pamphlet that is attached. We do not have in mind that that be made a part of the record, but simply for your information.

The CHAIRMAN. We will be very glad to look at them and give consideration, Mr. Lynn.

If there are no further questions, we thank you for your appearance, Mr. Lynn.

Mr. LYNN. Thank you, sir.

(Tables I, II, III, IV, and V, submitted by Mr. Lynn are as follows:)

APPENDIX

TABLE I.—*United States foreign agricultural trade in commodities under price support, fiscal year 1949–50*

[Million dollars]

Commodity	Exports [1]	Imports [2]	Net exports	Net imports
Cotton	948 8	50 2	898 6	
Wheat (including flour) [3 4 5]	694 8	23 6	671 2	
Grains and feed, exclusive of wheat of flour:				
Rice and flour	72 7	.3	72 4	
Corn, including meal	165 0	1 4	163.6	
Rye and flour	10 0	12 0		2.0
Oats and oatmeal	15 2	15 1	.1	
Barley and barlet malt	35 1	28 5	6 6	
Grain sorghums	37.8	(6)	37 8	
Other feeds and fodder and miscellaneous products processed from above items [7]	26 6	29 2		2 6
Total	362 4	86.5	280.5	4.6
Tobacco	235 5	73.3	162.2	
Oils and oilseeds:				
Peanuts	17 5	(6)	17.5	
Peanut oil	9 8	(6)	9.8	
Soybeans	44 2	(6)	44.2	
Soybean oil	44.4	(6)	44.4	
Cottonseed	1 6	(6)	1.6	
Cottonseed oil	19.7	(6)	19.7	
Flaxseed	8 7	(6)	8.7	
Linseed oil	1 3	(6)	1.3	
Tung oil	.1	15.3		15.2
Total	147.3	15.4	147.2	15.2
Dairy products:				
Milk and cream (fresh)	1.3	(6)	1 3	
Milk products	88.4	.7	87.7	
Butter	2.5	(6)	2.5	
Cheddar cheese	8 3	2 3	6.0	
Cheese other than cheddar [7]	2.0	17 8		15.8
Other [7]	11.0	6 6	4 4	
Total	113.5	27.4	101.9	15.8
Eggs	22.5	5.0	17.5	
Naval stores	12 2	.5	11.7	
Beans, dry edible	6.7	1.3	5.4	
Wool (excluding free for carpets)	8 5	220.0		211.5
Field and grass seeds	4 4	17.8		13.4
Honey	2	.6		.4
White potatoes	8 2	12.3		4.1
Grand total	2,565.0	533.9	2,296.2	265.00

[1] Domestic exports.
[2] Imports for consumption.
[3] Exports include 22.4 million dollars of flour milled from other than United States wheat.
[4] Grain exports include those sent to Canada by the CCC for storage as follows: Wheat, 13.1 million dollars; barley, 3.1 millions; and corn, 3.7 millions.
[5] Imports include 19.4 million dollars of wheat brought in under bond for milling and reexport.
[6] Less than $50,000.
[7] Includes miscellaneous items not directly under price support

Source: Official statistics of the Bureau of the Census.

TABLE II.—*Detailed data on United States foreign trade in grains and feeds (other than wheat and wheat flour), fiscal year 1949–50*

[Million dollars]

Commodity	Exports	Imports	Net exports	Net imports
Commodities under price support:				
Corn, including meal	165.0	1.4	163.6	
Rye and flour	10.0	12.0		2.0
Oats and oatmeal	15.2	15.1	.1	
Barley and barley malt	35 1	28 5	6.6	
Rice and flour	72.7	.3	72.4	
Grain sorghums	37.8	(1)	37.8	
Total	335.8	57.3	280.5	2.0
Commodities not under price support:				
Other feeds and fodder and miscellaneous products processed from above items	26.6	29.2		2.6
Grand total	362.4	86.5	280.5	4.6

[1] Less than $50,000.

TABLE III.—*Detailed data on United States foreign trade in fats, oils, and oilseeds, fiscal year 1949–50*

[Million dollars]

Commodity	Exports	Imports	Net exports	Net imports
Commodities under price support:				
Peanuts	17.5	(1)	17.5	
Peanut oil	9.8	(1)	9.8	
Soybeans	44.2	(1)	44.2	
Soybean oil	44.4	(1)	44.4	
Cottonseed	1.6	(1)	1.6	
Cottonseed oil	19.7	(1)	19.7	
Flaxseed	8.7	(1)	8.7	
Linseed oil	1.3	(1)	1.3	
Tung oil	.1	15.3		15.2
Total	147.3	15.4	147.2	15.2
Commodities not under price support:				
Animal fats, mostly lard and tallow	104.5	.8	103.7	
Copra		70.8		70.8
Coconut oil	3.5	16.7		13.2
Castor beans		14.1		14.1
Castor oil	.2	3.0		2.8
Carnauba wax		15.1		15.1
Palm oil		7.6		7.6
Babasu nuts and kernel		4.3		4.3
Olive oil	.3	12.0		11.7
Others	12.6	12.4	.2	
Total	121.1	156.8	103.9	139.6
Grand total	268.4	172.2	251.1	154.8

[1] Less than $50,000.

NOTE.—Data on exports of corn and barley include shipments to Canada by the CCC for storage as follows: Corn 3.7 and barley 3.1 million dollars.

TABLE IV.—*Detailed data on United States foreign trade in dairy products, fiscal year 1949-50*

[Million dollars]

Commodity	Exports	Imports	Net exports	Net imports
Commodities under price support:				
Milk and cream (fresh)	1.3	(1)	1.3	
Milk products	88.4	.7	87.7	
Butter	2.5	(1)	2.5	
Cheddar cheese	8.3	2.3	6.0	
Total	100.5	3.0	97.5	
Commodities not under price support:				
Cheese other than cheddar	2.0	17.8		15.8
Other	11.0	6.6		4.4
Total	13.0	24.4		11.4
Grand total	113.5	27.4	97.5	11.4

[1] Less than $50,000.

Source: Official statistics of the Bureau of the Census; Office of Foreign Agricultural Relations, Feb. 20, 1951.

TABLE V

Percent United States exports and imports are of total national production, by 5-year periods, 1920-48

Period	Percent United States exports are of total national production	Percent United States imports are of total national production
1920-24	6.2	4.4
1925-29	5.1	4.4
1930-34	3.4	2.8
1935-39	3.5	3.0
1940-44	6.0	2.7
1945-48	6.0	2.7

Source: Compiled from Report of the ECA-Commerce Mission, the Economic Cooperation Administration, October 1949.

Agricultural exports and imports as a percent of total exports and imports of the United States, by 5-year periods, 1920-49

Period	Percent agricultural are of total United States exports	Percent agricultural are of total United States imports
1920-24	45.8	55.3
1925-29	38.4	52.9
1930-34	35.8	49.1
1935-39	26.4	51.0
1940-44	14.9	47.8
1945-49	27.6	45.2

Source: Compiled from data published in Foreign Agricultural Trade, May 1949, Office of Foreign Agricultural Relations, United States Department of Agriculture.

The CHAIRMAN. Mr. Harrower. You may identify yourself, for the record, please.

STATEMENT OF GORDON H. HARROWER, CHAIRMAN, COMMITTEE ON FOREIGN TRADE, AMERICAN COTTON MANUFACTURERS INSTITUTE, POMFRET, CONN.

Mr. HARROWER. Mr. Chairman, my name is Gordon H. Harrower. My home is in Pomfret, Conn., and I am president of the Wauregan Mills, located in Wauregan, Conn. I appear today not only in my capacity of cottom-mill executive, but also in behalf of the American Cotton Manufacturers Institute of whose committee on foreign trade I am chairman. The ACMI is the national over-all trade association of the cotton-textile industry of the United States whose membership includes more than 85 percent of the country's cotton spindles both North and South.

The purpose of my appearance before the committee is to support, with minor qualifications, the trade-agreements extension bill as passed by the House. The industry which I represent has never opposed and does not now oppose the basic principle of reciprocal trade. It recognizes the desirability and, indeed, the necessity of a healthy international trade. It does not believe in restrictions or limitations of trade, by tariff means or otherwise, which are arbitrary or capricious in character.

At the same time, it does not regard the foreign trade of a country as an end in itself, the attainment of which would subordinate considerations of the domestic economy. On the contrary, it believes that foreign trade is only the means to an end and that the end which should rightly be sought is the constructive and well-rounded development of the domestic economy. A tariff policy cannot be wholly good which recurrently subjects the country to fears that employment is being put in jeopardy, or that investment is being threatened, or that wages may be undermined. With respect to each of these things, our security insofar as it depends on tariff policy should never have to rest on faith, but should be a matter of certainty.

While these hearings are in progress in Washington, there is also in progress in Torquay, England, a wholesale bargaining operation under the leadership of the United States, but technically under the auspices of GATT, designed to lower tariff rates on possibly as many as a thousand commodities produced by American labor. Among these are numerous cotton-textile items, but how many we do not know. Many tariff reductions may be made on these items, but how many and for what purpose we do not know. Neither do we know the degree of the cuts which will be made. We haven't the remotest idea what specific portions of the industry will be affected or what the repercussions on the industry will be, or the ultimate effect on employment and wages.

We did indeed appear last May before the Committee on Reciprocity Information offering such testimony as we could on the published list of general textile classifications slated for tariff negotiations. Broken down into detailed items, these scheduled classifications represented hundreds of varied textile constructions. It would have taken weeks to identify and count all of them, and at least a year would have been required to make the necessary cost studies for intelligent

rate determinations. The time actually allowed us between the official notice and the hearings was 30 days.

There are at least 500 cotton mills whose products would be affected by these negotiations. They are scattered over a vast territorial area from Maine to Texas; most of them are small units wholly unfamiliar with the wide range of facts pertinent to tariff making and totally unable as individuals to appraise in mathematical terms the character and degree of foreign competition as it might be following unknown tariff reductions on a list of unknown items.

Their only recourse was to invoke the slow-moving, limited machinery of their general trade association. Committees had to be organized; numerous conferences had to be called, bringing together people who live hundreds of miles apart. Production and marketing records, the past history of imports and exports had to be thumbed over hastily. Hurried calls had to be made on various sources, mostly governmental, for foreign wage data covering the major countries to be negotiated with. Of foreign production volume and productive efficiency, country by country, and item by item, we knew but little and could find out little.

Senator MILLIKIN. You had no information from any official source as to the extent of the concessions that might be granted in any item, have you?

Mr. HARROWER. No, sir. We have been trying to find that out steadily ever since the announcement has been made, and we are still in the dark as much as ever.

Senator MILLIKIN. You do not have any representative counselling on negotiations with the negotiators, do you?

Mr. HARROWER. No; we do not, and cannot.

Senator MILLIKIN. They will not permit it.

Mr. HARROWER. No.

Senator BUTLER. Mr. Harrower, is it your opinion that industry similar to yours represented in the conference of the negotiators at Torquay, England, in other countries are laboring in the same secrecy that pertains to our industry?

Mr. HARROWER. No, sir. We think that other countries appoint trade representatives to act as negotiators; that their negotiators are qualified industrial people, and that ours are not.

Senator MILLIKIN. Let me ask you this question: Since Will Clayton left this picture, insofar as you know, is there any man on our negotiating team or teams, with respect to these items in which you are interested, who has had an outstanding successful career in the cotton-textile business?

Mr. HARROWER. I do not think we know who the negotiators are, sir, let alone whether they are qualified. We have been trying to find out.

Senator MILLIKIN. Well, if an outstanding textile man were over there, there probably would be some rumor about it.

Mr. HARROWER. Yes; we would be apt to know something about it. I do not believe there is, although there might be someone who is an economist or a professor of some sort or other who was somewhat qualified by study but who was unknown to us as an industrial manufacturer.

Senator MILLIKIN. I did not mean to intimate that Will Clayton was a textile man.

Mr. HARROWER. No.

Senator MILLIKIN. He is a dealer in a basic product.

Mr. HARROWER. Yes.

Senator MILLIKIN. But he is a man of very wide experience in that and I assume he knows the problems of the textile business.

Mr. HARROWER. He knows the marketing anyway.

Senator MILLIKIN. Yes.

Mr. HARROWER (continuing). Accountants and engineers were used as far as practicable within the short time allowed. Finally, such material as could be assembled had to be evaluated, analyzed, and incorporated into a brief or briefs which in turn had to be read, reread, revised, and approved by the appropriate officers and committees.

All of these activities had to be completed and the results brought to the Committee on Reciprocity Information within a period of 30 days! For these efforts, our reward consisted largely of criticism that we weren't being very "constructive or helpful."

From the standpoint of adequate preparation, the Government officials, both the Trade Agreements Committee and the individual negotiators, were likely not in better plight. To start with, they suffer from the handicap of being "laymen" not closely associated with industry whose technical knowledge of a particular group of products may be quite limited. Nevertheless their time schedule was as follows:

After completion of the textile hearings in June, the Committee for Reciprocity Information had to sift the great mass of testimony, evaluate and abstract it in accordance with the Trade Agreements Committee. Commodities to be negotiated had to be selected and rated with due allowance for the representations of foreign as well as American industry. After top-level approval of the results, it then became necessary for the individual negotiators to master the details of their assignments. Their identity is kept confidential as is the list of commodities which they are to negotiate. They have no contact with the experts of the industry whose products are to be negotiated, neither are industry members permitted to accompany them abroad. After due time allowance for the preliminary Government procedures as they are known, it seems a reasonable assumption that the individual negotiators could not have had more than 6 or 8 weeks to digest the information siphoned to them from the Committee on Reciprocity Information. This fact taken in conjunction with the incomplete character of the material at their disposal confirms the suspicion that the practical aspects of the reciprocal trade program are quite different from its theoretical aspects.

I give to you this exposition at some length because I would like to show that although we have faith in the theory of reciprocal trade it is almost too much to ask us to have faith in current practice.

With the manifold duties which confront the State Department and the President it is unrealistic to suppose that the Secretary of State or the President of the United States is keeping or could keep a close and fatherly eye on the proceedings at Torquay. The participants are so great in number and the commodities and related political issues so multitudinous, that no top-level executive in Washington can possibly remain posted on the details of the proceedings and decisions.

Senator MILLIKIN. Mr. Chairman, may I ask if there is a representative of the State Department in the audience?

Can you tell me, please, how many items are under consideration at Torquay, the total number of all items?

Mr. J. M. COLTON HAND (State Department). I cannot, offhand; no, sir.

Senator MILLIKIN. Can you tell met the number of general categories that are under general consideration?

Mr. HAND. I can get that for you.

Senator MILLIKIN. Would you mind getting both?

Mr. HAND. Yes.

Senator MILLIKIN. And see that we get it.

Have you any idea of the progress of the Torquay meeting, how far along they are?

Mr. HAND. I do not think any date of termination has been arrived at, at the present time.

Senator MILLIKIN. Would you mind stating your name for the benefit of the record?

Mr. HAND. Mr. Colton Hand.

Senator MILLIKIN. Would you mind stating your position in the State Department?

Mr. HAND. Divisional assistant in the commercial policy staff.

Senator MILLIKIN. Thank you.

(The information requested, subsequently supplied, is as follows:)

NUMBER OF "ITEMS" UNDER NEGOTIATION AT TORQUAY

Before the Torquay tariff negotiations were begun, the interdepartmental Committee on Trade Agreements published lists of articles on which possible tariff or other concessions by the United States might be considered. Imports of these products in 1949 were valued at slightly more than 1.6 billion dollars, or a little less than one-fourth the value of total United States imports in that year. An estimate of the so-called "items" to be considered can be made by counting the separate statistical classification numbers which cover the products on these lists, although the lists themselves were in the statutory language of the Tariff Act of 1930. These products are reported under approximately 2,800 of the more than 6,000 separate statistical classification numbers, as established by the Bureau of the Census. Of the total, about 2,700 applied to dutiable products and 100 applied to duty-free products.

The number of products that have actually been under negotiation at Torquay is however, less than this total, since various products were dropped from consideration, either before or during the negotiations, as a result of information developed in the public hearings or from other sources. Because the negotiations are still going on it is not possible to estimate how many separate statistical classification numbers will be affected as a result of the negotiations.

A count of "items" on the basis of statistical classification numbers is likely to be misleading, however, not only because of the difficulty of defining what constitutes an "item" but also because such a count does not take into account the volume or value of trade covered by the separate statistical classification numbers.

The following facts illustrate these points. Out of the estimated 2,800 classification numbers, 100 apply to products which, in 1949, accounted for more than 80 percent, by value, of United States imports of all the listed products. Twenty-five statistical classification numbers cover products which accounted for more than two-thirds of the value of imports of all listed products. Sugar is reported under several statistical numbers, but sugar imports reported under only two of these numbers, accounted for approximately one-fifth of the value of all listed products. On the other hand, whereas there are about 75 statistical numbers applicable to "cotton cloth" of various types, weaves and values, yet imports of cotton cloth in 1949 accounted for only slightly more than one-half of 1 percent of the value of imports of all listed products.

Mr. HARROWER. Moreover, since the agreements are being worked out within the framework of GATT, they are multilateral rather than bilateral in character, with each individual contract becoming in effect

an integral part of a gigantic web. Consequently, once the web has been woven, the Secretary of State and the President could not very well make substantial revision even if they had the necessary knowledge, because to do so would disrupt a long and complicated sequence of quid pro quos and very possibly invalidate the entire work of the conference. In this connection, perhaps it is not amiss to wonder if it was the original intent of Congress that agreements under the Trade Agreement Act become a contractual arrangement with the whole world rather than treaty obligations on a country-by-country basis.

Senator MILLIKIN. Mr. Chairman, I may suggest to the witness that there is nothing in the Reciprocal Trade Agreements Act that has the remotest hint of that.

Mr. HARROWER. I did not hear what you said.

Senator MILLIKIN. I say there is nothing in the Reciprocal Trade Agreements Act that has the remotest hint of that.

Mr. HARROWER. Of the world basis, you mean?

Senator MILLIKIN. Yes.

Mr. HARROWER. That is right. We question that fact, too.

Senator MILLIKIN. There is no question about it so far as the Reciprocal Trade Agreements Act is concerned, there is not the remotest hint.

Mr. HARROWER. It was intended to be a country-by-country basis, and we feel the action under the Reciprocal Trade Agreement Act—the application of it has been to distort the original intent of the act.

Senator MILLIKIN. There are very grave constitutional questions which I shall not go into as to whether we can make the type of delegations that have been made here.

Mr. HARROWER. I prefer to miss that one.

Senator MILLIKIN. I will not ask you to answer it.

Mr. HARROWER. I could not answer it if I wanted to.

The latter type of treaty apparently became obsolete in the thinking of the State Department in 1945 when it published a series of Proposals for the Expansion of World Trade and Employment. These were followed in 1946 by a more detailed document entitled "Suggested Charter for an International Trade Organization of the United Nations." Beginning with the Geneva Conference in 1947 the process of negotiating trade agreements became global in method by executive decision. As the scope of negotiation was thus widened the tempo of action was accelerated.

Before the results of the sweeping Geneva reductions could become evident and before there was any possibility of appraisal, another round of reductions was effectuated at Annecy, France, in 1949. The ink was scarcely dry on the accomplishments of that conference when a third round of negotiations was called for September 1950, in Torquay, reputedly to hasten the closing of the "dollar gap," despite the outbreak of war in the Far East. The dollar gap incidentally is now only a memory without the aid of the Torquay Conference which is still going on.

These observations are made not in ciriticism of the basic program of reciprocal trade, but in the conviction that the State Department in execution has far exceeded the intent of Congress in its initial enactment of the Trade Agreements Act.

Senator MILLIKIN. The dollar gap is the dollar gap which exists in this country, is it not?

Mr. HARROWER. The dollar gap?

Senator MILLIKIN. The lack of necessary numbers of dollars in this country to do what we are trying to do; is that not the dollar gap?

Mr. HARROWER. Yes, sir.

The action of the House of Representatives on H. R. 1612 reflects sharply this view. In that body the debate was centered not on the merit of the reciprocal trade program, but on the procedures which have been followed in the effectuation of the program. The amendments which were so decisively voted were in no way limitations upon the true objectives of this program. They are in my opinion necessary correctives of certain administrative tendencies which if carried to extremes might make of reciprocal trade an enemy of the national economy.

In expressing my support of the so-called peril-point provision I do not wish to rehash the familiar arguments to which this committee has already listened, and which were extensively debated in the House. Instead, I would prefer to point out two considerations which are especially pertinent to the industry which I represent and which have become evident to us from bitter experience.

The first of these is that cotton goods which are competitive with ours are produced in great volume and in wide variety by a great number of countries. Of these the more important are the United Kingdom, France, Italy, Belgium, Germany, Switzerland, Japan, India and Egypt. All of these countries are large exporters of cotton goods. Three of them, the United Kingdom, Japan, and India, taken together, supply over one-half of the total world trade in cotton goods. Each one, taken separately exports about twice as much as the United States. Sound tariff procedure would call for reasonably exact knowledge of the character and range of production in each of these countries; the degree of their productive efficiency; their wage structures; their production costs; their flexibility in meeting new market opportunities; their marketing practices, and many other items of information requisite to tariff adjustment. All of these factors vary greatly from one country to another. Wages, for example, in one of these countries might be only one-fifth of similar costs in another country, and in all of them wages actually vary from one-half to one-tenth of our own.

Senator MILLIKIN. Since the end of World War II there has been a great modernization in these countries, these foreign countries, of their textile machinery.

Mr. HARROWER. Yes, sir.

Senator MILLIKIN. So that, roughly speaking, mechanically they are probably on a par with our own methods, are they not?

Mr. HARROWER. They are making rapid progress in that direction, and one country which I mentioned earlier, Egypt, has textile installations entirely as modern as our own in that respect, and wages that are one-tenth of our own.

Senator MILLIKIN. And Egypt has become a substantial cotton grower.

Mr. HARROWER. It is not only a substantial cotton grower, it is a very expanding cotton manufacturer.

Senator MILLIKIN. There are also great big plans in Egypt for expanding the growing of cotton, is that not also correct?

Mr. HARROWER. Not only the growing of cotton; Egypt has always been a large cotton grower, but we look with considerable apprehension on the expanding textile industry in Egypt.

Senator MILLIKIN. I am under the impression that several great reclamation projects——

Mr. HARROWER. That is true, sir.

Senator MILLIKIN (continuing). Are being planned to increase cotton production in Egypt, as well as in a number of other countries in the world.

Mr. HARROWER. That is right.

Senator MILLIKIN. So we have got a kind of dual problem there.

Mr. HARROWER. We have a very serious one.

Acquisition of dependable information along these lines is beyond the reach of our industry. It can be obtained and analyzed only by such an agency as the Tariff Commission. The peril-point provision, therefore, from the standpoint of our industry would provide that the Tariff Commission do what the industry cannot do in its own behalf, that is, supply the basic economic information which should be required in the establishment of new tariff rates.

The second consideration is that the requirement of such a studied procedure would compel more deliberation and a more sensitive spirit of caution in dealing with the Nation's international economic affairs. They are too important to be dealt with in the manner of a fashion promotion.

The escape clause, in our opinion, should be made a part of the statute. By Presidential direction it has been accepted administratively, but as a matter of assurance there are further needed definite legislative criteria and language. Our industry is so constituted that the possible effects of a tariff cut cannot be predetermined. This is due in part to the continuing changes in the character of foreign production and the frequent shifting of types of production from one country to another where cost structures are radically different and are continually changing, too.

It is due in part to the fact that heavy imports of a particular classification of textiles may force those cotton mills which are directly affected to give up entirely the manufacture of the fabrics being imported and move into a different line of production. To the extent that this is done, competition in other segments of the industry is intensified and the final result may be a general weakening of the price structure and a decline in employment. Because such developments are one step removed from the primary cause, they are not readily apparent to the superficial observer. In our industry it has been demonstrated over and over again that certain classes of imports, though seemingly small in relation to the industry's total output, can exercise an extremely depressing effect through the whole industry by forcing internal shifts in the structure of domestic production.

The threat of such developments is being rapidly magnified by the expansion of textile manufacture in such countries as Egypt, Japan, and India and in a considerable number of so-called undeveloped countries in which the first efforts at industrialization are being directed to the building of cotton mills. While this growth of textile

facilities has been in progress, the countries of continental Europe have restored their cotton manufacture to prewar level and in some instances have surpassed it.

In the meantime drastic tariff reductions have been made on cotton goods. The process was begun prior to World War II, was accelerated at Geneva in 1947, was carried further at Annecy, and is again under way at Torquay. Not including Torquay, the results of which we do not yet know, the average tariff reductions have been approximately one-third, with many individual items cut as much as 50 percent, and still others by as much as 75 percent.

Consequently the stage has now been set for a tidal wave of cotton textile imports into the United States. It would have occured this year, had it not been for the extreme cotton shortage, which was cotton fiber shortage, which has forced curtailment of export programs in most countries. In the period 1946 to the middle of 1950 our domestic markets were saved only by the famine conditions which prevailed in textiles throughout most of the world and by the 4-year period of time required to rebuild the productive capacities of Japan and continental Europe.

Unless another major war intervenes, we shall with the coming of the next cotton crop, or at most the second, be confronted with the most serious foreign competition within the United States that we have known since the maturity of our industry.

We can anticipate that the escape clause may need to be used promptly and forcefully, if our industry is to be saved from severe and irreparable damage. Unless advantage can be taken of the Torquay Conference to induce those countries whose treaties with us do not contain an escape clause to accept the principle, I can foresee the possibility of some difficulty and international ill will resulting from the effort to save ourselves from the pitfall into which we have blundered.

With respect to the House amendment excluding the Communist countries from the benefits of trade-agreement concessions, we express hearty assent in principle although the question involved does not relate substantially to our industry. We would prefer to see the concept of exclusion broadened to include all countries which do not participate in the trade-agreements program, or having participated in the formalties of treaty making, fail to comply in good faith with the obligations which they have assumed. Such a broadened approach would seem to accomplish the same purpose, but within a range of definitions more suitable to international practice and understanding.

As regards the period of time extension of the trade-agreements program, it is our judgment that a 2-year extension is preferable to a longer one. World events are moving swiftly and within a period of 2 years much can happen. It is almost certain that radical changes will occur in the economic conditions of many countries and in their internationl economic relationships. Many changes are under way within our own borders and no one at this time can foresee the character or the extent of change we may have to suffer under the pressure of international conflict.

Tariff policy may be more important to us 2 years from now than at any previous time in our history. We should therefore definitely plan to take another look at it in 1953. We feel that such a plan should be reinforced by the establishment of a joint congressional com-

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mittee charged with the duty of making a thorough analysis of our international trade policy and the operations by which it is carried out, and of making a full report to this Congress before the end of 1952. At least this much would seem necessary, if we are to build up a body of information and understanding which can be drawn upon with maximum benefit in the solution of our future trade problems.

For I believe, gentlemen, that while the economic wind is with us we should seize upon the opportunity to put our ship in order.

There is one point that I have not stressed in this brief, sir, that I would like to bring out, and that is a matter that I can give an example of from the history of our own company.

It is folly to consider a tariff program of fixing rates on which we have to compete and then have those rates vitiated by the fluctuations of foreign currencies.

I can say that in our own mill, one of our most valuable products was completely thrown out at the time of the devaluation of the British pound. About 10 to 15 percent of our product was in a certain quality group, and we competed successfully with England on just about an even basis, and the devaluation of the pound took us right out of that picture completely, and within a couple of months. There was nothing we could do about it. We have never been able to get back into it again, and that is what I mean also by the dislocation of loomage.

We are a small mill, and we did not stop those looms. We immediately threw those looms into competition with somebody else. consequently there is an over-all dislocation taking place, which it is impossible to put your finger on In the generic description of the President's announcement with respect to Torquay, where they say negotiations are going to be made on fabrics of yarn count number over 60, there could be myriads of fabrics.

The CHAIRMAN. What is your own fabric?

Mr. HARROWER. Mostly cotton goods and some blends of cotton and wool.

The CHAIRMAN. In your own mill?

Senator KERR. What kind of cotton goods?

Mr. HARROWER. Fine yarns.

The CHAIRMAN. Fine yarns?

Mr. HARROWER. Fine combed yarns.

The CHAIRMAN. You use quite a little labor; labor makes up quite a great deal.

Mr. HARROWER. Labor is a very appreciable element in our total cost, about 50 percent of our total cost being labor cost.

The CHAIRMAN. After you get above the yarn stage, why, labor increases throughout the textile field.

Mr. HARROWER. Well, sir, it increases all the way through in the counts of yarns that we spin, which are fifties and finer, and the labor element is a very serious element, because all the processes throughout the manufacture of cotton and the preparation of cotton for the spinning of fine counts require very much more—the expenditure of much more labor than would be the case in the making of print cloths, for instance.

The CHAIRMAN. Yes.

Your mill is located where?

Mr. HARROWER. In Wauregan, Conn.

The CHAIRMAN. Connecticut, I see.

Senator MILLIKIN. What is its trade name?

Mr. HARROWER. Wauregan Mills.

The CHAIRMAN. Any further questions? Thank you very much, Mr. Harrower, for your experience.

Mr. HARROWER. Thank you, sir.

(A tabulation headed "United States imports of countable cotton cloths by country of origin," submitted by Mr. Harrower, is as follows:)

United States imports of countable cotton cloths by country of origin

[1947 through 11 months 1950, thousands of square yards]

	1947	1948	1949	1950 (11 months)
Japan	2,123	12,233	1,502	17,677
Switzerland	1,363	3,921	7,042	9,576
United Kingdom	7,006	10,733	6,034	7,622
Belgium	194	431	1,401	3,232
Czechoslovakia	402	818	729	1,961
Mexico	3,818	1,086	853	1,088
Netherlands	168	212	264	762
France	(1)	197	189	647
Italy	368	290	225	481
Germany	(1)	1,505	1,060	228
All others	518	338	423	700
Total	15,960	31,764	19,722	43,974

[1] Not available.

Source. U. S. Department of Commerce.

The CHAIRMAN. Mr. Mittenthal?

(No response.)

The CHAIRMAN. Senator Holland, are you waiting here for the appearance of a particular witness?

STATEMENT OF HON. SPESSARD L. HOLLAND, A MEMBER OF THE UNITED STATES SENATE FROM THE STATE OF FLORIDA

Senator HOLLAND. Mr. Chairman and Senators of the Committee on Finance, the producers of fresh fruits and vegetables in my State, and particularly the producers of tomatoes, have for a number of years experienced serious, and sometimes ruinous, competition from Mexico and Cuba during the fall, winter, and spring months.

Wage rates in Mexico are sometimes as low as 40 cents to 60 cents per day. The problem is growing progressively worse because large acreages of irrigated land in Mexico are now being made available for the first time, and smaller additional acreages are being brought into production in Cuba.

Since 1928, or for more than 20 years, the vegetable growers of Florida have made organized efforts to solve this problem. They first sought prohibitive tariffs. They later sought equalizing tariffs, seeking to overcome the enormous advantage given to the foreign producers by the low labor costs.

In 1943 the Florida Fruit and Vegetable Association was formed, and since that time it has been a very active, very large and thoroughly representative group in our State, representing the thousands of producers of winter vegetables.

It has spent much time and money on exhaustive economic studies in this field.

That organization concluded that tariffs alone cannot be a complete answer, and that they cannot alone curb the excessive and erratic shipments which have been the principal factor causing financial loss to both domestic and foreign producers.

May I add that this calamity which is sometimes visited upon our people is not confined to them, but that in varying degrees, and sometimes even in greater degrees, a tremendous oversupply in the markets visits great calamity upon the offshore producers in both Cuba and Mexico.

A plan has been developed, and I shall refer to it briefly as simply a tariff-quota plan. Its principal features are most favorable treatment under the tariff, combined with a quota covering the periods of time during the season when not only are our people producing but also the producers on the offshore areas are also in production.

The CHAIRMAN. What time are you threatened with imports from Mexico? What season?

Senator HOLLAND. That season is in the winter; the largest is in the winter and early spring.

The CHAIRMAN. Winter and early spring. What time from Cuba, the offshore?

Senator HOLLAND. Somewhat the same time. The problem extends from about November on through April of the following spring.

The CHAIRMAN. What is the height of the production period in Florida, in your State?

Senator HOLLAND. Well, that is not always the same, Senator, but generally speaking we are at heaviest production in the late winter months.

Mr. Chandler will have the statistics and the figures on that, and I could produce them at this time, but I think it would be desirable to have them produced as he tells the committee of his long efforts in this field.

Senator MILLIKIN. Senator, may I ask is this what might be called a private plan between the producers of this country, Cuba and Mexico, or is it a proposed Governmental plan?

Senator HOLLAND. The initiative came from private sources. It was sought to be given the blessing of Government support. It was begun at a time when we had reciprocal trade agreements with Cuba and also with Mexico. Since the time of the original negotiation the agreement with Mexico has, as the committee knows, been canceled.

The CHAIRMAN. Canceled; yes.

Senator HOLLAND. The agreement with Cuba is still in force. Cuba has been very helpful in this matter, and I may say that it is my understanding that the Cuban delegates at Torquay are sponsoring and moving the inclusion of this program which, I again refer to as a tariff-quota plan, into the agreement that no doubt will result from the Torquay proceedings.

The CHAIRMAN. Is the plan a combination of rates and quota?

Senator HOLLAND. It is a combination for giving to the producers offshore favored treatment under the tariff, provided that the shipments over periods of time, when competition exists, may be so restricted as to approach the parity price for the producers.

I may say that very respectable support of that program has developed not only among the Cuban producers and in Cuban official sources, but among the Mexican producers and among the receivers and the distributors of the Mexican products at the places in Texas and Arizona and California into which the Mexican product first moves. Those details will be furnished by Mr. Chandler.

Senator MILLIKIN. Senator, do you happen to know how that particular negotiation is progressing at Torquay?

Senator HOLLAND. Not making as favorable progress as we would like, and it is for that reason that we are suggesting that the committee consider, and we hope favorably, an amendment at this time, which amendment has been rather carefully drafted, and will be presented by Mr. Chandler at the conclusion of his testimony for the consideration of the committee.

This so-called tariff-quota plan was presented to the vegetable growers of Cuba, who have an organization that speaks rather well for all of them, or most of them, and to the shippers of the bulk of the Mexican production, also to some of the producers.

I personally attended one of the hearings to which I shall refer in a moment, at which were present not only Cuban producers and representatives of the Cuban organization but also similar persons from Mexico, as well as representatives of the receivers and distributors, particularly from Nogales, Ariz., but also from other points in the West.

They agreed—that is, the growers of Cuba and the shippers who handled the bulk of the Mexican production agreed—that the program was sound. They made certain suggestions which were incorporated, and that program, if adopted, would materially in stabilizing the American market for those fresh perishables, both those produced by our people here and by the competing producers and producing areas in Cuba and Mexico.

My colleague, Senator Smathers, and I joined with the members of our Florida delegation in assisting the Florida Fruit and Vegetable Association, and we also joined, as I said a moment ago, with the representatives of the Cuban and Mexican groups in presenting this plan, first to the Department of State in a series of conferences, and later to the Committee on Reciprocity Information, with which this committee is, of course, familiar.

To date, no specific results of any kind have been obtained, unless it be classified as a result that Cuba is, I believe, sponsoring this matter now at the Torquay Conference, which development flows from and is the result of the negotiations up to date.

I am going to ask that Mr. Luther L. Chandler, who is chairman of the Florida Fruit and Vegetable Association, be allowed to give you for your record the details of these extended efforts to cure the situation through businesslike economic procedures and his feeling and that of his group, with which the Florida delegation joins, that an amendment would be timely to give specific approval in the law to this so-called tariff-quota plan and to fix responsibility for its administration.

Mr. Chandler will give you the reasons why our vegetable growers do not believe that the existing type of tariff legislation which is applicable to storable commodities will of itself do equity to the producers of fresh fruits and vegetables which are, of course, highly perishable.

He will explain to you also the need for an amendment to the Trade Agreements Act to cover these problems peculiar to these perishable products.

I close by stating that our perishable vegetable industry is, we think, of importance to the Nation because a large part of the amount of fresh vegetables consumed during a considerable portion of the year comes from these winter areas, of which my own State is the largest producer, within our limits; and, of course, it is a great deal larger producer than Cuba and Mexico just at this time.

Mr. Chairman, Mr. Chandler will give this statement, and I realize that time has now expired, and I would ask that he stand so that the committee might recognize him, and if the committee could hear him at an early date, in the hearing tomorrow, or today if the committee procures consent to continue this afternoon, I would appreciate that courtesy because he lives below Miami, and he is here at considerable expense, and I would like him be heard as quickly as may be convenient.

The CHAIRMAN. We will reach him as soon as we possibly can, Senator Holland. There is a change in the program of the Senate which has seriously interfered with us and will seriously interfere with us for the next 2 or 3 or 4 days if it is continued.

The committee does regret that it cannot go on this afternoon and complete the list of witnesses scheduled for the afternoon, but it will be impossible to do so; and, therefore, the committee will recess and adjourn until 10 o'clock tomorrow morning.

We will take him up, though, as early as we can possibly reach him.

Mr. Ossip Walinsky, executive director of the Pocketbook Workers Union, has submitted a brief in lieu of a personal appearance. That brief will go in the record at this point.

(The brief referred to follows:)

BRIEF RE EXTENSION OF THE TRADE AGREEMENTS ACT SUBMITTED BY POCKETBOOK WORKERS UNION, NEW YORK

This brief is submitted on behalf of labor, the men and women engaged in the production of ladies' handbags, pocketbooks, and personal leather-goods novelties

To the honorable CHAIRMAN AND GENTLEMEN OF THE COMMITTEE ON EXTENSION OF THE TRADE AGREEMENTS ACT,
Washington, D. C.

The undersigned labor union represents a large majority of the workers making handbags and leather-goods novelties in New York, New Jersey, and in the cities of New Bedford, Mass., Bridgeport, Conn., Amsterdam, N. Y., Bethlehem, Pa., Syracuse, N. Y., Fitchburg, Mass., Stamford, Conn., Trenton, N. J., Perth Amboy, N. J., etc.—more than 11,000 union members in all.

We are in contractual relations with close to 500 employers—all small-business people—the majority of whom work themselves, as bench workers, shipping clerks, and salesmen, because of their limited capital and nonprofitsble business.

The average pocketbook and leather-goods novelty shop employs less than 30 workers. The competition is very keen, and the battle for survival continues.

The union is bending every effort to cooperate with all employers of labor in our industry, even the smallest and the poorest, but must insist at the same time that the workers maintain American standards of labor in keeping with the American way of life.

This is becoming increasingly impossible because of foreign competition. The working hours of pocketbook and leather-goods novelty workers in Great Britain are from 40 to 42 hours per week. In Germany the workers work from 48 to 54 hours per week. The working hours in France, Italy, and Austria are 44 hours per week. Besides, home work in France, Italy, Germany, and Austria is widespread, and hours of labor are not controlled.

The working hours for pocketbook and leather-goods novelty workers in the United States are from 37½ to a maximum of 40 hours per week.

The average rates of pay for skilled mechanics and general help in Great Britain are as follows:

Leather cutters	$18
Operators on sewing machines	15
Framers	24
Skivers	24
Pocketbook makers and bench hand (male)	24
Bench hand (female)	18
General help	12

The rates of pay are about the same in France and Italy; the rates of pay in Austria are less; the rates of pay in Germany are more than 20 percent less.

The most unfair and cutthroat competition can be seen at a glance when one compares the above-mentioned rates of pay with the rates of pay for similar operations in the shops under our jurisdiction, to wit:

	Per hour
Leather cutters	$2.00
Operators on sewing machines	1.47½
Framers	2.65
Skivers	2.25
Pocketbook makers and bench hand (male)	2.10
Bench hand (female)	1.35
General help	.91

Of course, the fringe benefits such as vacation pay, pay for legal holidays, cost of hospitalization, surgical benefits, and life insurance are all part and parcel of the labor cost borne by the employers of our industry. These fringe benefits are also much higher than those enjoyed by the workers of our industry employed by the employers in the countries of England, France, Italy, Germany, Austria, etc. No wonder that foreign manufacturers have made such phenomenal inroads into our domestic market; have so terrorized our manufacturers of ladies' handbags and pocketbooks, and have induced the most outstanding retailers of America to double, triple, and quadruple their importations. We attach hereto and make part hereof five tables which should be most convincing why we must not extend the present day Trade Agreements Act which threatens the utter destruction of a 200-million-dollar American industry.

First, let us take the historical picture as shown in table V. We see a prewar total import figure of 57,000 bags. This rose to a wartime peak of 417,000 in 1946, dropped considerably to an average of about 125,000 for the years 1947–49 and then almost tripled in 1950 to 330,000. The value changes, you will note, did not correspond exactly, showing a changing unit value during the entire period. Imports increased in 1950 as compared with 1949, 189 percent in terms of units and 157 percent in terms of foreign dollar value.

Comparisons of nonreptile and reptile bags can be made only for the years beginning 1946, since separate figures were not maintained prior to that year. The comparison with 1946 is obviously a false one because of wartime distortions and dislocations in the domestic trade. As compared with 1949, the year 1950 shows more pronounced increases both in units and foreign dollar value in the field of nonreptile bags than in the field of reptile bags. Imports of nonreptile bags increased from 58,000 to 199,000, a rise of 243 percent. In dollar value, the increase was from $322,000 to $1,118,000, a rise of 247 percent. The figures on reptile bags speak for themselves.

We may switch from this total historical import picture to table VI, which shows the historical imports of handbags for selected countries—the United Kingdom, France, and Italy. You will note that the most substantial increases occurred in France, Italy, and the United Kingdom, respectively. The 87,000 units imported from France in 1950 was 278 percent more than the 23,000 imported in 1939; 444 percent higher than the 16,000 imported in 1946, and 2800 percent higher than the 3,000 imported in 1947. In dollar value, the $554,000 of imports in 1950 was 418 percent higher than the $107,000 imported in 1939; 39 percent higher than the $398,000 imported in 1946, and 433 percent higher than the $104,000 imported in 1947. The percentage increases in imports from Italy and the United Kingdom are shown likewise in table VI. You will, of course, note that in the case of all three countries imports in the second half of 1950 were much higher than those of the first half. (These percentage changes are separately shown in table I.) If we were to make historical comparisons with the imports of former years in terms of the

annual rate of imports prevalent in the second half of 1950, the figures of course would be much more startling than those which are measured against 1950 as a whole.

The general trends within 1950 for both reptile and nonreptile bags and the comparisons of the second half of 1950 with the second half of 1949 and the first half of 1950 are shown in summary fashion in tables II and III. In the field of nonreptile bags, unit imports in the second half of 1950 were 291 percent more than those of July–December 1949 and 148 percent higher than they were in the first half of 1950. The changes in dollar volume corresponded very closely to the changes in units. Reptile handbags imported in the second half of 1950 increased, in terms of units, 163 percent from the second half of 1949 and 76 percent from the first half of 1950. In terms of dollar value, imports in the second half of 1950 were 137 percent higher than they were in the second half of 1949 and 115 percent higher than they were in the first half of 1950.

These facts speak so plainly for themselves that we need to offer no interpretation of them here.

CONCLUSION

The present Trade Agreements Act must be discontinued as far as our industry is concerned, and it is most imperative that the duty on handbags made of reptile and other leathers in the year 1938—namely, 35 percent—must be restored if we are to survive.

TABLE I.—*Imports of nonreptile handbags, 1950, for selected countries*

	United Kingdom		France		Italy	
	Units	Value	Units	Value	Units	Value
January–June	12,815	$27,038	20,678	$128,208	6,343	$52,031
July	1,827	11,428	3,441	22,910	2,225	12,007
August	2,120	14,536	10,410	83,111	10,467	52,405
September	1,403	9,950	12,552	81,597	3,302	18,461
October	1,795	13,357	17,390	96,363	6,530	43,834
November	4,583	17,166	10,037	72,579	5,915	26,602
December	190	1,326	12,304	69,444	1,348	8,762
July–December	11,918	67,763	66,134	426,004	29,787	162,071
1950 total	24,733	94,801	86,812	554,212	36,130	214,102

TABLE II.—*Imports, women's and children's leather handbags—nonreptile*

	Units	Foreign value
July to December 1949	36,265	$195,012
January to June 1950	57,259	321,847
July to December 1950	141,733	796,475
Total 1950	198,992	1,118,322

Units imported during July to December 1950 were 291 percent higher than July to December 1949, and 148 percent higher than January to June 1950. Foreign dollar value in July to December 1950 was 308 percent higher than July to December 1949, and 147 percent higher than January to June 1950.

TABLE III.—*Imports, women's and children's leather handbags—reptile*

	Units	Foreign value
July to December 1949	31,745	$233,499
January to June 1950	47,343	256,530
July to December 1950	83,479	552,351
Total 1950	130,822	808,881

Units imported during July to December 1950 were 163 percent higher than July to December 1949, and 76 percent higher than January to June 1950. Foreign dollar-value in July to December 1950 was 137 percent higher than July to December 1949, and 115 percent higher than January to June 1950.

TABLE IV.—*Imports of nonreptile handbags, all countries*

	Units	Foreign value
July to December 1949	36,265	$195,012
January to June 1950	57,259	321,847
July	9,602	53,046
August	25,170	161,580
September	21,280	128,314
October	34,078	191,729
November	30,379	155,616
December	21,224	106,163
July to December 1950	141,733	796,475
1950 total	198,992	1,118,322

	Units	Foreign value
Percent increase, July to December 1950, from—		
July to December 1949	291	308
January to June 1950	148	147

TABLE V.—*Imports of women's and children's handbags*

[Units and dollars in thousands]

	Total		Nonreptile		Reptile	
	Units	Value	Units	Value	Units	Value
1939	57	$153				
1943	140	1,271				
1945	277	4,393				
1946	417	6,038	197	$2,162	220	$3,875
1947	123	1,280	66	532	56	749
1948	140	1,032	82	476	58	556
1949	114	749	58	322	56	427
1950	330	1,927	199	1,118	131	809
	Percent change to 1950 from—					
1939	+479	+1,590				
1946	−21	−68	+1	−48	−40	−79
1949	+189	+157	+243	+247	+134	+89

NOTE.—Prior to 1946, separate data for reptile and nonreptile bags were not kept.

TABLE VI.—*Imports of handbags, selected countries*

[Units and dollars in thousands]

	United Kingdom		France		Italy	
	Units	Value	Units	Value	Units	Value
1939	11	33	23	107	14	10
1943	3	47				
1945	7	114		2		
1946	16	198	16	398	1	12
1947	5	55	3	104	2	16
1950 total	25	95	87	554	36	214
1st half	13	27	21	128	6	52
2d half	12	68	66	426	30	162
	Percent change to 1950 from—					
1939	+127	+188	+278	+418	+157	+2,040
1946	+56	−52	+444	+39	+3,500	+1,683
1947	+400	+73	+2,800	+433	+1,700	+1,238

JULY 13, 1950.

From: A. J. Siris Products Ltd., Lanchester.
To: Mr. Sy Port, Messrs. A. J. Siris Products Corp., 780 East One Hundred and Thirty-fourth Street, New York 54.

Dear SY: We have the pleasure in forwarding the information requested in your letter of May 31 and apologize for the delay in so doing. We have felt it prudent to enclose a copy of our existing union agreement which more or less answers most of the points and we have given a little more detail under he headings called for, as follows:

1. The number of working hours per week are 44 by statute. We work a 5-day week Mondays to Fridays, commencing 8 a. m. and finishing at 5:45 p. m. with a luncheon break of 1 hour. All hours worked in excess of 8½ each day rank for overtime as does any Saturday working.

2. This is difficult to enumerate since the prevailing system here is a basic rate according to age up to 21 with incentive bonuses for particular targets. However, this is how the hourly rates work out:

Age	Males	Females	Age	Males	Females
	s. d.	*s. d.*		*s. d.*	*s. d.*
15	9½	8½	18	1 3½	1 ½
16	10½	9½	19	1 5½	1 2½
17	1 ½	10½	20 and over	1 8½	1 3½

At 21 and over we pay 5 pounds for males and 3 pounds 10s. 0d. for females weekly.

3. The legal holidays as provided by our union agreement are: New Year's Day, Good Friday, Easter Monday, Whit Monday, August Bank Holiday Monday, Christmas Day, Boxing Day.

4. The factory closes annually for 1 week, usually the week immediately preceding August Monday and each operative receives their basic pay for that week.

5. See schedule attached.

I hope you are keeping well and enjoying the heat wave. Many thanks for kind sentiments which are abundantly reciprocated.

Yours sincerely,

JOHN KEENAN.

MEMORANDUM OF AGREEMENT BETWEEN THE SIRIS PRODUCTS LTD., LANCHESTER ON THE ONE PART, AND THE NATIONAL UNION OF GENERAL AND MUNICIPAL WORKERS, MADE THIS DAY AUGUST 27, 1948

I. *Application of agreement.*—This agreement shall apply to the workpeople mentioned in clause V hereof and engaged in the manufacture of powder puffs, cosmetic bags, and cosmetics.

II. *Hours of work.*—A full working week for all workers, other than shift workers, shall consist of 44 hours excluding recognized meal times.

III. *Overtime.*—Workers other than pieceworkers:

Any worker who has completed on any day a full day's work, shall be paid overtime for time worked on that day in excess of the normal working day at the rate of time and a quarter for the first 2 hours and thereafter at the rate of time and a half up to starting time next morning.

Double time shall be paid for work done on Sundays and on statutory public holidays and any other day which may be declared to be a public holiday (public holidays—New Year's Day, Good Friday, Easter Monday, Whit Monday, August Bank Holiday Monday, Christmast Day and Boxing Day).

A worker shall be entitled to be paid overtime for any day on which he works for longer time than a normal working day, notwithstanding that he may, on some other day, have worked for a less time than a normal working day.

IV. *Holidays.*—(*a*) Every worker who has been continuously in his employer's service for not less than 6 months shall be entitled to a holiday with pay at the rate of one half-day for each month's service completed at the date when the holiday is taken, and thereafter shall be entitled in each 12 months of his employment to 7 days' holiday with pay. Provided that when a factory is closed for holidays, workers who are thereby compelled to take their holidays and who have not had 6 months' service shall be paid for the holiday period at the rate of

one half-day's pay for each month's service. Holidays shall be taken at such times as may reasonably be fixed by the employer, having due regard to the comfort and convenience of the worker.

(*b*) Any worker whose employment is terminated by his employer for any reason other than misconduct, at a time when the worker has become entitled to a holiday with pay and has not taken such holiday, shall be paid wages in lieu of a holiday at the above rate, the amount to be calculated upon the period which has elapsed since the end of the last year of the worker's employment in which the worker received a holiday as provided above.

V. *Rates of wages.*—The following shall be the minimum wages, exclusive of bonus (if any).

Juniors

	Per week of 44 hours	Per hour for calculating lost time and overtime		Per week of 44 hours	Per hour for calculating lost time and overtime
Males:	*s. d*	*s. d.*	Females:	*s. d.*	*s. d.*
Aged 15	33 0	9	Aged 15	29 4	8
Aged 16	36 8	10	Aged 16	33 0	9
Aged 17	44 0	1 0	Aged 17	36 8	10
Aged 18	55 0	1 3	Aged 18	44 0	1 0
Aged 19	62 4	1 5	Aged 19	51 4	1 2
Aged 20	73 4	1 8	Aged 20	55 0	1 3

Any female trainee 18 years of age or over shall receive a rate of 1 shilling per hour until she becomes efficient at her work. This training period shall last not longer than 4 weeks, after which she will then be paid the appropriate rate according to age within the agreement.

VI. *Disputes.*—If there shall arise out of this agreement any dispute between the parties of this agreement, either party shall have the right to call a meeting at once to discuss and end the dispute and that the parties to this agreement shall use their best endeavors to discourage any stoppage of work in contravention of this agreement.

VII. *General proviso.*—Nothing in this agreement shall be taken to prejudice the paying of higher wages or the giving of longer holidays or the working of a shorter working week by employers who prior to the date of this agreement were doing so.

VIII. *Duration.*—This agreement shall remain in force until determined by 3 months' notice which may be given at any time by either party.

Signed on behalf of

THE SIRIS PRODUCTS, LTD.

Signed on behalf of

THE NATIONAL UNION OF GENERAL AND MUNICIPAL WORKERS.
RAYMOND HARRIS, *Organizer.*

(Whereupon, at 12:05 p. m., a recess was taken until 10 a. m., Friday, March 2, 1951.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

FRIDAY, MARCH 2, 1951

United States Senate,
Committee on Finance,
Washington, D. C.

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

Present: Senators George (chairman), Kerr, Millikin, Taft, Butler of Nebraska, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk; and Serge Benson, minority professional staff member.

The Chairman. The committee will please come to order. Mr. Harry Crane.

STATEMENT OF A. HARRY CRANE, HILL PACKING CO., TOPEKA, KANS.

Mr. Crane. I will make my statement very brief. I want to thank the committee for permitting me to appear.

The Chairman. You are with the Hill Packing Co.?

Mr. Crane. I am attorney for the Hill Packing Co. My name is A. Harry Crane. I am from Topeka, Kans. I represent also the Davis Packing Co., of Estherville, Iowa. These two companies are packers and processors of horse meat for human consumption and for dog food.

I also represent the Hill Livestock Co., which is a companion company that buys horses.

When I made the request at the direction of my clients for permission to appear here, I had in mind presenting my theories in opposition to the continuation of the Trade Treaty Act of 1934, because I had some very strong opinions on that subject, and upon arriving here in Washington a few days ago, I discussed it with my two Senators from Kansas, Senator Frank Carlson and Senator Andrew Schoeppel, and told them of my ideas, and asked them if they had any suggestions.

Senator Schoeppel suggested that I read Senator Millikin's talk of September 8, 1949, which I had not read before. I read that in the Congressional Record, and after reading it, I realized that Senator Millikin knew so much more about the subject than I ever will, and realized also that the rest of this committee undoubtedly has a spendid background in the subject of that act and those continuations of it.

Senator Millikin. I appreciate that comment, but entirely aside from that, I want to congratulate you as being a man of probably the most monumental patience in the history of the world if you read that speech.

Mr. CRANE. I read all except the addenda. I did not read all the exhibits that you had attached. It was a good many pages long. But I have been waiting here, and it was enjoyable reading, and since I agreed with it, I thought it was particularly good.

So I then decided that it would be presumptuous for me to try to go into the arguments of why the Trade Treaty Act of 1934 should not be continued.

As I say, they were so well discussed about the calculated risk against possible benefits, the escape clause, and dangers to the employees and to the employers, and to business that it seems to me it is fundamental to the small business of this country, of which these clients of mine are a part, that this act not be continued.

So I thought it best merely to mention our situation, and tell you why they have sent me down here to do in our small way what we can.

As I say, these clients are packers of horse meat, which is an industry you may not know too much about. Mr. Hill, the president of Hill Packing Co., started in this industry in 1907, when there was practically nobody else in it. It has grown to be a very sizable industry, because of the increase of dog population in the country and because of the export of horse meat abroad. He is proud of it. He has built it up from nothing, and he does not want it to go out the window, which is only natural.

The CHAIRMAN. You do not have much competition from abroad, do you?

Mr. CRANE. Yes. There is competition. Quaker Oats has a large plant at Rockford, Ill., and Victor Packing Co., in California.

The CHAIRMAN. I mean abroad.

Mr. CRANE. You mean in shipping abroad?

The CHAIRMAN. No. Imports. You do not have many imports, do you?

Mr. CRANE. That is the point that is worrying us. You see, we are opposed to this extension of the Trade Treaty on the basis of what we think it could do to us, and what it would do to us, and we are the only ones that it would do anything to.

Now, last May 8, they had me come back here on a hearing in opposition to having horse meat put on the agenda for consideration at Torquay. I was not successful. It went to the agenda, and it is undoubtedly being considered at Torquay, but we can not find out what is going on or what is going to go on. It is sponsored by the Canadian Government wanting to have horse meat on the free list or on a very much reduced list, and there are millions of horses just across the border in Canada. Because of their costs of labor, which I have tabulated here, as contrasted with our costs of labor, and because of the cheapness of the horses there as contrasted with what the market is in this country, we figure that it is going to hurt labor, it is going to hurt the farmer, and it is going to hurt our industry if that is done.

Originally there was a 6-cents-per-pound duty on horse meat for human consumption from Canada, not less than 20 percent ad valorem. That has been reduced 50 percent, as I understand it, now, under the provisions under which it is possible to be done. On the horse meat for animal consumption, they have now interpreted that chunk meat with charcoal added comes in at 5 percent ad valorem

and canned Canadian horse meat for animal consumption at 10 percent ad valorem, which is practically nothing.

They did not interpret it that way originally. When we get into these comparative costs, translated into American dollars, in 1949 the average hourly wage of men in the packing industry in Canada was 94.6 cents per hour, and that was $39.18 a week. In 1950, that increased to $1 per hour for the men in the packing industry. That would also include beef, because we do not have a separate breakdown for horse-meat packing and beef packing.

Senator MILLIKIN. They separate the packing, do they not?

Mr. CRANE. They separate the packing, Senator, but they do not separate the price in any reports that I could find.

Our plants are organized with CIO labor. We are in the same category as beef packers, as far as costs are concerned, and in this country, as contrasted with Canadian labor in 1950, the cost of labor here was $1.36½ an hour as contrasted with $1 an hour.

Just in the last few months, we have increased our wages by 9 cents, and then we have entered into an agreement subject to approval of the Federal agencies for another 9-cent increase, which is brought about by the big packers doing the same, on which we have to follow suit.

Consequently, you can see that our wages are a third or a fourth more than they are in Canada. We have to absorb that in the sale of the product.

Likewise, we have a rather sizable investment, and we have a payroll at the Hill Packing Co. of $1,100,000 a year, plus, and at Davis of over $600,000 a year, and in the Hill Livestock of over $100,000 a year. We employ about 550 people. And if we run into the trouble that we foresee down the line, it could disrupt that situation, not only of our employees, but of management and of the investment.

Senator MILLIKIN. As our dollar loses value, that ad valorem protection that you have loses value.

Mr. CRANE. It is of no value now, Senator. It is 5 percent on 12 cent horse meat.

The CHAIRMAN. Are you suffering from any imports now?

Mr. CRANE. No, we are not.

The CHAIRMAN. How are the imports running, compared with your production?

Mr. CRANE. We are not suffering from them now, because they still have a 3-cent duty, and they did have a 6-cent duty. But I am fearful that at Torquay, that will be——

The CHAIRMAN. We cannot tell you what is going to happen at Torquay.

Mr. CRANE. No, we do not know, either. But we know that it is on the agenda for consideration there.

The CHAIRMAN. I would hope that we would not want to run up the cost of feeding dogs too much.

You do not mean to say that you have this investment in this number of people working solely in the horse packing end?

Mr. CRANE. Yes, sir.

The CHAIRMAN. Solely in the horse side of the thing?

Mr. CRANE. That is all the packing we do, horse meat.

The CHAIRMAN. You do not pack anything else?

Mr. CRANE. No; nothing else. We are Government-inspected plants, and pack nothing but horse meat.

The CHAIRMAN. I see. I did not think there were any imports of packed horse meat of any consequence.

Mr. CRANE. I cannot tell you how much there is, but our theory is that it will be very sizable if they take off these duties. There has not been, under a 6-cents-per-pound duty.

The CHAIRMAN. I see.

Mr. CRANE. But, you see, there are several million horses in Saskatchewan just across the border from the United States, and one of these plants of ours is at Estherville, Iowa, which is only a few miles from Canada.

The CHAIRMAN. Do you get any horses from Canada?

Mr. CRANE. Yes; horses come in duty-free, and we buy some horses from Canada, but very few. The cost of transportation adds into their cost when they are brought here.

The CHAIRMAN. You will just have to pray that they will not do very much harm to you at Torquay.

Mr. CRANE. My clients furnish the food for the Seeing-Eye Dog Foundation. They furnished a large amount for the Quartermaster Corps during the war for the war dogs. We do now, or have in the past, for the Zoo her in Washington.

The CHAIRMAN. What is the brand name?

Mr. CRANE. The leading brand name is Hill's Dog Food. And then the Davis is Davis Dog Food, and you will find it in the stores here in Washington.

The CHAIRMAN. I have seen some advertisements on television, but I was just trying to recall the name.

Mr. CRANE. So we now come to the point that these treaty arrangements are frequently not reciprocal. It is not mentioned as reciprocal in the act as it is. Maybe in some instances it is, but when it affects the one industry adversely for another, it is not reciprocal as to the injured industry.

So it is our hope that this House bill 1612 which is now before you for consideration will not be recommended by the committee, and if it is recommended, that the peril-point feature will be strengthened. I know there was a severe contest on that 3 years ago, and again this time in the House. But it seems to me that if that is to be effective, it should be forced back to Congress. When it gets into the situation where an industry is really imperiled, it should not by a letter just be permitted to be passed over. It should come back here for consideration.

I wanted also to mention a bill that was introduced last Tuesday, which I have been reading in the Congressional Record. It is Senate bill 981, and was introduced by the junior Senator from Nevada, Senator Malone; it seems to be along the lines, at least, that we feel would be proper. It is a flexible tariff act. And even if that bill is not adopted and this House bill 1612 is not adopted, as I understand it, it would then go back to section 336 of the act of 1930, which would still mean that Congress would not be cluttered up with every little tariff problem as you were many years ago.

So it is our hope that this will be given consideration. We are just a small concern, but at least the president of it was enough interested that he sent me back here to express these views.

The CHAIRMAN. We will give it consideration, Mr. Crane.
Mr. CRANE. Thank you very much for your kindness.
The CHAIRMAN. Thank you very much for your appearance.
Mr. CRANE. Thank you.
The CHAIRMAN. Mr. Robert Kastor.
Mr. Kastor, will you identify yourself for the record?

STATEMENT OF ROBERT N. KASTOR, CAMILLUS CUTLERY CO., CAMILLUS, N. Y., ACCOMPANIED BY LEWIS A. PINKUSSOHN, JR., CAMILLUS CUTLERY CO.

Mr. KASTOR. Yes, sir. I am Robert N. Kastor, treasurer and director of Camillus Cutlery Co., and I live in Hillsdale, N. J.

Senator George and members of this committee, first of all, thank you for the permission to appear.

The CHAIRMAN. We are glad to have you, sir.

Mr. KASTOR. It is just about 30 years ago this month that I appeared before a similar committee in hearings on the Fordney-McCumber bill. The Senate Finance Committee was, I believe, then headed by Senator Reed Smoot of Utah, another able and experienced legislator. The Congress at that time, however, had not abdicated its prerogative to enact tariff legislation and may I sincerely hope that as a result of these hearings the Congress will recover its constitutional authority in this respect.

Now, gentlemen, before I go into the present state of the cutlery business and in particular the pocketknife business in which we are interested, under the prevailing tariff rates, let me tell you a little about Camillus, both the town and the business, and in that connection I have brought with me for your study a book written by Alfred Lief, entitled "Camillus, the Story of a Small American Business," and I will leave with you sufficient copies for the use of your committee.

Camillus is a quiet little village in central New York, "a single cell," as Alfred Lief puts it "in the tissue of American life." Founded about 150 years ago, it owed its early life to its situation on Nine Mile Creek and its later development to the construction of a feeder to the Erie Canal.

This little town with a population now of about 1,200 inhabitants became the site of a small picketknife plant in 1894, founded by some Sheffield craftsmen, encouraged by the McKinley tariff of 1890.

When this plant was bought in 1902 by my father, who had been in the importing business since 1876—a little over 25 years—it was employing only 25 people. It is now employing 450 people and during World Wars I and II employed 625 people.

During both World Wars I and II it furnished essential pocketknives and other weapons to the armed services of the United States and those of our allies and I have here with me a catalog issued by our company and I will leave a copy of this catalog with you which shows, on pages 34 and 35, 21 different items furnished to the armed services in World War II and I think it will interest you, gentlemen, to know that the Camillus Cutlery Co. was the first in its field to win the Army and Navy E award and before the end of World War II over 98 percent of its production was going directly or indirectly to the armed services.

To illustrate more graphically to you what we did, I show you this plaque which I will leave with you, with nine of the major items we produced in World War II. Here it is.

Senator MILLIKIN. Are you going to leave us that?

Mr. KASTOR. I am going to leave you the photographs. Here it is. These are the principal items delivered to the Armed Forces during World War II from 1940 to 1946, with their descriptions.

Now let us take that here. The fighting and utility bayonets, we delivered 1,955,024 pieces; fish knives, we delivered 247,380 pieces. The Navy 4-blade knives, we delivered 2,564,220 pieces. The Army or engineer knife, we delivered 3,282,988 pieces. The sailor's knife, we delivered 698,020 pieces.

Senator MILLIKIN. What is the function of the sailor's knife? It looks like a big razor blade.

Mr. KASTOR. That I will explain to you. That sailor's knife was put in life rafts. It was a required item by the merchant marine. I think it was after the Rickenbacker episode. The sailor's knife was used so that the sailors could cut rope or any cord in connection with lowering the life rafts. This is as I understand it.

Senator MILLIKIN. To cut up fish, I suppose?

Mr. KASTOR. Well, that and the fish knife both were used for that purpose, Senator Millikin.

Senator MILLIKIN. It looked almost like a razor blade?

Mr. KASTOR. Yes; it does. As a matter of fact, it is known as a sheep-foot blade, if you are being technical about it.

Senator TAFT. Is that marketed in the South?

Mr. KASTOR. That is right. That very item is used in the South by the Southern Cotton Mills. Senator George, that would interest you.

The CHAIRMAN. Yes, sir.

Mr. KASTOR. The Air Corps knife, 1,042,040 pieces, TL-29 electrician's knife, item 7—that is a very standard item with the Signal Corps—2,183,136 pieces.

The Navy jackknife, 1,711,012 pieces; and the surgical knife, the last, 196,593 pieces.

Now, let me add this, gentlemen, this development of this company did not happen in one day. It happened in a period of nearly half a century. And under the protection of the tariff, this industry grew so that it could adequately serve this country in two World Wars, and right now is doing its share in these critical days in the defense program. Twenty percent of our present production is for the Armed Forces.

Now, gentlemen, are you by extending this Reciprocal Trade Agreements Act prepared to entrust the fate of this small company and its 450 employees and the fate of other small companies in the cutlery business and in other businesses and their thousands of employees who are important cogs in the defense build-up to the tender mercies of small-fry bureaucrats who conduct the actual negotiations?

Are loyal American workmen and businesses to be sacrificed to the whims, foibles, and follies of another branch of the State Department that is bemused with some ideal or ideological purpose or will the Congress once more assume its proper responsibility and resume its historical role of enacting tariff legislation?

Now, gentlemen, let me bring you up to date on what is happening right now in the pocketknife business under the existing tariff rates. By the way, at Torquay, it is proposed to cut them 50 percent. That is an interesting point. While we are girding once more to take our proper role in the defense program, there are increasing imports of cutlery. Only last week we had offers of cutlery from three different importers offering a variety of merchandise from Germany, Italy, and Japan, all countries with whom we were engaged in a life-and-death struggle only a little over 5 years ago. Let me read you, if you have a minute to give me, an abstract from the Journal of Commerce Import Bulletin, dated January 4, 1951:

Cutlery—England, 1 case, B. Altman (66); 1 case (241 pounds), I. Freeman (66); 3 cases, Hambro House of Design (68).

Cutlery—Germany, 3 cases carving sets, 1 case scissors, Consolidated Export Co. (4B); 4 cases scissors, 1 case nippers, Freedman & Slater (4B); 5 cases, Iwersen & Albrecht (4C); 1 case of knives and forks, Caris (4C); 1 case, A. H. Thomas, Philadelphia (5H); 5 cases, Hensel Bruckmann & Co. (26A).

Cutlery—Holland, 3 cases, Metropolitan Cutlery Co. (3); 1 case, Geigy Co. (3).

Cutlery—Italy, 1 case scissors, Depend-On Co. (15A); 1 case scissors, H. Blankenberg (15A); 1 case Great Rex Lts. (22a).

Now here comes a new country into the field:

Cutlery—Japan, 10 cases, Lieberman Waelchli (67G); 1 case, 196 pounds, Universal Manufacturers All., Inc. (66); 18 cases (Gracious Pattern) 3,376 pounds order (31); 37 cases, Charm pocketknives, Utica (32); 37 cases, Charm pocketknives, Utica (32e).

It would appear there are a lot of people exporting cutlery to the United States and importing it into the United States. Mind you, gentlemen, this is only at the port of New York. We have no way of checking into what is coming into New Orleans, San Francisco, or any port.

Senator TAFT. Is this about 1 week, or how long?

Mr. KASTOR. This is about 10 days, Senator Taft. I do not know how the Journal of Commerce compiles its record, but I assume it covers the imports of maybe 10 days to 2 weeks. They revise their records from time to time, and summarize them. My guess would be 10 days to 2 weeks. Is that about right?

(After a check with the Journal of Commerce, 1 week was determined to be correct.)

Mr. PINKUSSOHN. My guess would be less than that. I think it is a week.

Mr. KASTOR. A week.

Now, would it be wise in view of this to put in the hands of some committee sitting in Torquay, England, or Geneva, Switzerland, or any place far from the long-term interests of the United States and its citizens, the power to open the floodgates further and destroy the American cutlery industry?

Let me interpose here that we have on fairly good authority, authority that has been good in the past, the statement that despite this flood of imports, they are going to cut the duties 50 percent at Torquay from the present rates. Now, that may be just rumor, but they have the power to do it. It is on the schedule.

The CHAIRMAN. What is the present rate?

Mr. KASTOR. I will give it roughly.

The CHAIRMAN. Yes; the average.

Mr. KASTOR. I can give you the complete rates here. Here we are. Not more than 40 cents a dozen—I am talking about pocketknives only, now—1¼ cents each, 50 percent ad valorem; 40 to 50 cents, 5 cents each, 50 percent ad valorem; 50 cents to $1.25, 11 cents each and 55 percent ad valorem; $1.25 to $3 per dozen, 18 cents each, 55 percent ad valorem; $3 to $6 a dozen, 25 cents each and 50 percent ad valorem; over $6 a dozen, 17½ cents each and 27½ percent ad valorem.

Now for Sweden, over $6 on ornamental knives, 10 cents each and 25 percent ad valorem. I can also give you the rates on scissors, if you are interested. We are not particularly interested, but I should think the scissors people would be down here, because they should be interested, because the imports of scissors are increasing every day.

Senator MILLIKIN. Do you know of Western Cutlery Co. of Boulder, Colo.?

Mr. KASTOR. I certainly do, sir. I have been in Boulder, Colo., and visited the plant out there, and I am sure they are going to suffer by this.

Senator MILLIKIN. They are a fine outfit, are they not?

Mr. KASTOR. They are very fine, gentlemen. We used to sell them at one time.

Senator MILLIKIN. They make good knives?

Mr. KASTOR. They do, sir, not only good pocket knives but hunting knives as well.

Senator MILLIKIN. This makes a good industry for a small town; does it not?

Mr. KASTOR. It does.

Senator MILLIKIN. It is a clean industry?

Mr. KASTOR. It is a clean industry. By the way, it is located in small towns, wherever it is. The largest town that it is located in is Newark, N. J.

Senator MILLIKIN. Thank you.

Mr. KASTOR. Now, gentlemen, just consider the part that this small industry has played in the defense program. If Italy, Germany, and Japan are overrun by the Russians some day—and who can say that they will not be—and if in the meantime these small but vital American defense industries have been destroyed by unfair foreign competition, this cannot be created over night. This is a 50-year development program, mind you, to take its proper place in a defense program, or, God forbid, in an all-out war program.

Senator MILLIKIN. Whatever happened to the Barlow knives?

Mr. KASTOR. We still make them, sir. But I must admit they are a little higher in price. I think that Senator George will know more about the Barlow pocketknife than you do Senator, because that is where we sell them. Beck & Gregg Hardware Co. sells them down South.

The CHAIRMAN. Oh, yes; I know about them.

Mr. KASTOR. Now, gentlemen, I have something here to show you specifically so as to give you a better picture of what we are up against.

I show you these two cards, each bearing a so-called florist's knife. I want each of you gentlemen to examine them. Here this one is made by us, an honest Camillus knife made especially for the florist trade and sold in reasonable quantity by us to the wholesale florists' supply trade; and our price on this item, our No. 100, is $12 per dozen.

Now, here on this card is an imitation, made in Japan, and offered by an importer in New York City at $9 per dozen to wholesale florists.

This importer was a customer of ours. In fact, I will tell you what he did. He just took our sample and had it imitated in Japan, which is an old Army game. And it is evidence that his profit on the price of $9 a dozen would be the usual profit——

Senator KERR. Wait a minute. That is what you call free enterprise; is it not?

Mr. KASTOR. Very. It certainly is free enterprise, all right. We have nothing against it. We just have to live with it.

His profit on the price of $9 per dozen would be 25 percent, namely, $2.25 per dozen. So, the indications are—and I have since verified this—that this item cost him no more than $6.75 per dozen to land under the current duties. In short, that item cost $2.25 per dozen f. o. b. Japan.

Senator KERR. And you just pay about 25 percent more in this country?

Mr. KASTOR. No. We sell it for $12 per dozen.

Senator KERR. No. I was talking about the cost.

Mr. KASTOR. Cost? Our cost is much, much more than that.

Senator KERR. It is a little more than that?

Mr. KASTOR. No, sir; it is very much more. I will come to that in a minute, as to why.

Senator KERR. Bear in mind, you are not required to answer that question.

Mr. KASTOR. I am ready to answer it.

Senator KERR. Fine.

Mr. KASTOR. With facts and figures, sir.

Now, here is another example. Here is our No. 196, a well-made little charm knife. And I am going to leave these with each of you gentlemen. It is a fine item for a lady's purse or a gentleman's key ring, incidentally. We will sell it at wholesale for $3 per dozen. We are being offered these cheaper knives. And here they are, and I want you to look at them, gentlemen.

There is a batch of them—I do not want to leave all of them with you, but I will leave a few—from Japan, at prices ranging—I have it here—a price of 39 cents per dozen, because I wanted to be fair about it, f. o. b., country of origin.

Now gentlemen—and I direct myself, Senator, to you——

Senator KERR. Thank you.

Mr. KASTOR. "What is the matter," you are going to say, "with the American pocketknife industry? Is it so inefficient?"

On the contrary, it is the most efficient in the world, and it is turning out a product which is superior to the best that Sheffield, England, and Solingen, Germany, can produce. But—now, here comes the "but"—let us have a look at the wages paid in our factory and those in the Solingen district of Germany. By the way, gentlemen, I was there in 1948. These are not figures made out of my head. They were verified figures at that time. They have not changed very much since then.

They were a little lower then, and we estimate that is what they are now.

The men and women in the Solingen district in Germany are being paid 30 cents per hour. That is the average pay there. The men and

women in Camillus are being paid an average of $1.38 per hour. That is the average pay at Camillus.

Senator MILLIKIN. Is the machinery in the two countries roughly the same? They use the same kind of machines; do they not?

Mr. KASTOR. I will put it this way. The machinery in Germany is the nearest approximation to our good mass-production methods.

Senator MILLIKIN. Roughly the same?

Mr. KASTOR. The other countries are not as good and not as efficient. Let us just take this Japanese situation, Senator Millikin. We have no idea what they are paying. But it might be 10 cents an hour. I mean, based on information that we have here. Now, there you have the basis for those big discrepancies.

Senator MILLIKIN. I think the other testimony I hear indicates that they are not getting 10 cents an hour. But pass that. Never mind.

Mr. KASTOR. Gentlemen, I have no desire to belabor a point, but how long can this industry and its well-paid employees survive under the American standard of living if you continue to delegate your tariff rate-making powers to an adjunct or tail to the State Department's kite which, to use a mixed metaphor, has other fish to fry?

I beg of you either to refuse to extend the Reciprocal Trade Agreements Act or, if you do extend it, retain the four wise amendments recently passed so overwhelmingly by the House of Representatives. And I want to add that even those amendments do not protect us and will not save us from what is happening in Torquay. I do not think they will save us in that event. A stitch in time may save more than nine.

In thanking you for giving us this opportunity to testify, may I express the hope again that the Congress will have the courage and wisdom to recover its historical tariff-making authority.

Thank you, gentlemen.

The CHAIRMAN. Thank you very much.

You are leaving all these samples with us?

Mr. KASTOR. I am.

The CHAIRMAN. For keeps?

Mr. KASTOR. Why not, sir? I would like them discussed on the floor of the Senate.

The CHAIRMAN. They might think we were somewhat belligerent if we carried all these knives around.

Mr. KASTOR. Thank you.

The CHAIRMAN. I would like to ask you why you ceased to put good metal in Barlow knives?

Mr. KASTOR. Now, Senator, I think that is not fair, because we are putting good metal in Barlow knives.

The CHAIRMAN. Is it the same type and kind of metal that you put in 35 or 40 years ago?

Mr. KASTOR. I would say it was better.

The CHAIRMAN. Better?

Mr. KASTOR. Yes, sir. Let me tell you a little about steel, as long as you have raised the point about Barlows. In the old days, first we imported it from England.

The CHAIRMAN. The last Barlow that I had, I think, was made of tin.

Mr. KASTOR. Then it could not have been ours. Beck & Gregg sell a lot of our Barlows in your territory, Nos. 10 and 11. I just happened to remember that. And I think, if you would ask Mr. Parker, the president of the company, he would tell you that we turn out a fine Barlow knife.

The CHAIRMAN. Bob Parker?

Mr. KASTOR. Yes.

The CHAIRMAN. Yes, sir; I know he would, but he sells them, you see.

Mr. KASTOR. Now, if there is anything that you gentlemen want any enlightenment about or a further brief with reference to wages, we will be happy to prepare it.

The CHAIRMAN. Mr. Williams.

Have you someone with you?

Mr. WILLIAMS. I have Mr. White with me.

The CHAIRMAN. You may have a seat and identify yourself for the record.

STATEMENT OF BEN J. WILLIAMS, CHAIRMAN, NATIONAL AFFAIRS COMMITTEE, AMERICAN COTTON SHIPPERS ASSOCIATION, ACCOMPANIED BY MR. WHITE

Mr. WILLIAMS. Senator George and members of the committee, my name is Ben J. Williams, and my residence is New Orleans, La. I appear here as chairman of the national affairs committee of the American Cotton Shippers Association, a national organization whose membership includes substantially all American cotton merchants and exporters.

The entire cotton industry of this Nation is dependent upon the maintenance of cotton exports. Exports approximated $1,000,000,000 in value in 1949–50 and, even with our export restrictions, this year will reach $800,000,000. Limitation of the crop to domestic use would, in the absence of war demand, make cotton a costly and unprofitable crop and destroy its place in the economy of the Nation. Livelihoods of some 1,500,000 farmers and thousands of ginners, merchants, bankers, and tradesmen are involved.

It is easy in some locations and in some industries to overlook the importance of export markets, but no one who has been in the cotton trade during the last 40 years can do so. I have been in the cotton business, Senator, since 1906. I realize there is still a difference of views on this subject, but we saw our export business stopped hard and cold by the Smoot-Hawley tariff, and the cotton business has suffered ever since from governmental programs established to relieve that situation, beginning with the Farm Board stabilization operation, and not yet ended with the present scarcity resulting from the heavy 1949 acreage reduction.

We have seen our good customers starved for cotton but unable to pay for it because our tariff barriers prevented their selling their own produce to us; and we have lived through two World Wars, to which lack of adequate access to raw materials and clogged international trade have plainly contributed. Certainly, in the present world situation, we must use every bond of trade and fair dealing to tie the non-Communist nations of the world to us.

We have supported the Reciprocal Trade Agreements Act since its original introduction, although we have thought that actually our negotiators, harassed by continual controversy of high-tariff industries, have been too careful, too slow, and too timid in reaching agreements which would make our international trade a really two-way street.

Senator MILLIKIN. Mr. Chairman, I may suggest that those same people have also been harassed by free traders. And I suggest that where they are really doing business they are not harassed by anybody; they are operating in a vacuum of their own.

Pardon me.

Mr. WILLIAMS. The bill passed by the House is to us a statutory enactment, replete with legal language, of the mother's reply in the famous nursery rhyme:

> "Mother, may I go out to swim?"
> "Yes, my darling daughter.
> Hang your clothes on a hickory limb,
> But don't go near the water."

The House enactment tells our negotiators, who apparently are assumed to be chiefly interested in making bad bargains and surrendering the best interests of our industries and agriculture, that they can go through all the motions of negotiating tariff agreements but makes it impossible for them to get their feet wet.

We believe that the existing law and treaty provisions give adequate and careful protection to American industry. Those who have yelled "Wolf" loudly every time this act has come up seem to continue to operate, except in cases of notoriously poor management.

No amount of tariff protection can be substituted for good management. Certainly, when the tremendous stake of the American farmer in exports is considered, it is bad policy to withdraw existing concessions by unilateral legislative action and to virtually eliminate any further concessions on any agricultural commodity subject to price support. In its present form there is another hidden amendment. It reads invisibly but plainly:

> All concessions heretofore granted on American farm products by foreign countries are hereby canceled.

International trade cannot be turned on and off like water in a faucet. Every trade must be developed carefully, and conditions under which it is going to be carried out must be established in advance. The surest way to make an enemy instead of a customer is to change the rules in the midst of a trade, and that is just what the proposed flexible tariff provision would do.

Senator MILLIKIN. May I ask you, are you directing your remarks to the so-called Malone amendment, which has to do with flexible tariff?

Mr. WILLIAMS. I think it is the agricultural amendment.

Senator TAFT. The House bill?

Mr. WILLIAMS. The House bill; yes.

The CHAIRMAN. It is the amendment that relates to agriculture in the House bill.

Mr. WILLIAMS. That is correct, I believe.

Mr. WHITE. Yes.

Mr. WILLIAMS. We have no sympathy with those who endorse the great principles of reciprocal-trade agreements, provided you make it

impossible for our negotiators to make any concessions; nor are we deceived by the well-organized opposition built around the strangely hard core of coal and oil. Even our good customers, the cotton mills——

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness whether or not he is aware of the extent of the concessions that have been made since the advent of the reciprocal-trade system.

Mr. WILLIAMS. In a general way, I am, Senator.

Senator MILLIKIN. Then, is it not a little bit extreme to say that the hands of our negotiators have been tied?

Mr. WILLIAMS. I believe what we are referring to in our presentation, Senator, is more the future than what is proposed by the House bill.

Senator MILLIKIN. I got it from a statement that you were complaining of tying the hands of our negotiators. I suggest to you that our negotiators, since the advent of the reciprocal-trade system, have reduced our tariffs below the point of the Underwood tariff bill, which is the lowest tariff we have ever had, and have reduced our concessions far below the old high protective-tariff rates. So, I was just wondering whether you really meant to give that impression.

Mr. WILLIAMS. Senator, I have always felt that restraints on the movement of goods over international frontiers are basically responsible for much of the difficulty of the world.

Senator MILLIKIN. Do you object to the provisions of section 22 of the Agricultural Adjustment Act, whereby cotton is protected both as to long staple and short staple by import quotas?

Mr. WILLIAMS. Senator, personally I am not in favor of quotas on an importation of cotton. I think American cotton ought to stand up against foreign competition.

Senator MILLIKIN. You are not?

Mr. WILLIAMS. And I personally—and I do not know whether I am at liberty to speak for the entire industry—but, personally, I do not believe that American cotton needs that protection from abroad.

Senator MILLIKIN. You would not for a moment say that those interested in the production of cotton in this country would like to have the cotton quotas done away with as far as imports are concerned?

Mr. WILLIAMS. We are not advocating that they be eliminated, although I personally do not feel that they are necessary.

Senator TAFT. Who brought it about that they are in, then, except the cotton people?

Mr. WILLIAMS. I suppose the growers did, Senator Taft. I think the growers are largely responsible, not the merchants.

Senator MILLIKIN. The cotton exporter has not been unrepresented. In my judgment, the most skillful man who has, I think, the same philosophy that you have that has ever dealt with this subject is Will Clayton, who, as you know, is far from ignorant in questions affecting cotton exports. He was the dominant character in this whole program for quite a series of years.

Mr. WILLIAMS. I am aware of that, Senator, and no man holds Will Clayton in higher esteem than I. I think he is one of the ablest men in the world today, I might say. His basic knowledge of economy and of the forces that build and destroy in the world is second to none. I esteem him very highly. I do not believe that I could possibly disagree with Mr. Clayton on any point involving the economy of the United States.

Senator MILLIKIN. Your philosophy runs directly parallel with his own.

Mr. WILLIAMS. I am glad to hear that.

Senator MILLIKIN. You complement each other.

Mr. WILLIAMS. I am glad to hear that, because I know I am right.

Senator MILLIKIN. If you disagreed, one of you, at least, would be right. But, with both of you agreeing, there is a chance that both of you are wrong.

Senator KERR. Did I understand the witness to say that, since you agree, you know that he is right?

Mr. WILLIAMS. No. I did not say that. I intended exactly the opposite. Since we agree, I know that I am right.

Senator KERR. I see.

Mr. WILLIAMS. Even our good customers, the cotton mills, shudder with apprehension of possible future competition at a time when they are exceeding all records of production and prosperity and on the very day after the Journal of Commerce reports that exports of cotton goods are rising substantially.

Senator MILLIKIN. Who pays for those exports?

Mr. WILLIAMS. I find it difficult to answer the question. I think you are referring to the ECA funds.

Senator MILLIKIN. I am referring to all of our aid programs.

Mr. WILLIAMS. To say just how those exports are paid for would require a consideration of the whole export-import picture. I do not believe that you could say that they are paid for with ECA funds, because the total volume of exports against the total volume of imports makes it necessary, if you attempt to reason it out, to combine the total volume of international business to determine how it is paid for.

Senator MILLIKIN. I do not dispute that. But I did not think that you would dispute the proposition that our foreign-aid programs cover a very substantial part of our cotton exports.

Mr. WILLIAMS. Senator, that is true. I think it has been impossible to divide the use of ECA funds over a great volume of items, and the use of ECA funds has been largely centered in cotton, because it is a volume business, and a graet amount of dollars are involved.

Senator MILLIKIN. That is right.

Mr. WILLIAMS. And it has been the ideal medium through which ECA dollars might be used for the rehabilitation of the world economy.

Senator MILLIKIN. That is exactly what I was getting at. And I thank you.

Now, the witness surely is aware of the fact that, under various programs, loan programs, ECA programs, and so forth, there is a large number of reclamation projects over the world which it is hoped that we will finance, if we are not financing them already, which tend to grow cotton, in virgin land, under the wage scales that prevail in those countries, that will increase the competition abroad—will it not?—of our own cotton production?

Mr. WILLIAMS. Senator, I believe that I am agreeing again with the gentleman whose opinion you esteem so highly, Will Clayton.

Senator MILLIKIN. I do not esteem his opinions.

Mr. WILLIAMS. I thought you were——

Senator MILLIKIN. I esteem the gentleman highly, but not his opinions.

Mr. WILLIAMS. Anyway, I express this opinion, that the problems of the world have been largely one of underconsumption instead of overproduction. I think distribution of production over the world has been responsible for overproduction at locations of the world. I do not believe there has ever been overproduction of cotton anywhere in the world. I believe we could have always found markets for any production of cotton if we had been willing to take goods in exchange for cotton on an equitable basis. After all, the average standard of living of people is determined by the per capita consumption of goods.

Senator TAFT. What do you mean by the phrase "on an equitable basis"?

Mr. WILLIAMS. On a basis which obviously would not destroy American industry, but on a basis——

Senator TAFT. "Obviously"? That is the whole question?

Mr. WILLIAMS. Will you rephrase the question, Senator? I would like to answer it.

Senator TAFT. I do not see how you can be sure about that. You say that it is always underconsumption. Surely, but those countries have to produce something in order to get the stuff to bring up their consumption.

Mr. WILLIAMS. That is right.

Senator TAFT. And they do not produce it. Take China and India as examples. There is very little in China and India that is shut out from this country by tariff, that I can discover. They simply have not produced the goods. And that is true of Europe, up to now from the end of the World War. They just have not produced the goods. There has been practically no tariff.

Mr. WILLIAMS. Their means of production were largely destroyed. I was in Germany some years ago, in 1947.

Senator TAFT. Well, no means of production were destroyed in France and practically no means of production were destroyed in England. Their machinery got obsolete, but there was very little destruction of the means of production.

Mr. WILLIAMS. Gentlemen, there has been interference with natural economic forces throughout the world. There have been restraints of one kind or another everywhere, and that has contributed largely to the strangulation of business everywhere in the world, and it applies very decidedly to the countries of Europe.

Senator MILLIKIN. And those things have grown up during the existence of the reciprocal trade agreement system; is that correct?

Mr. WILLIAMS. I believe that they probably would have been even worse in the absence of the reciprocal trade agreements.

Senator MILLIKIN. That is very "iffy." You would not say that the reciprocal trade system has prevented the development of those things?

Mr. WILLIAMS. I would very definitely say that the reciprocal trade system has minimized the effect of that major trend in the world.

Senator MILLIKIN. How would you demonstrate that when during the existence of the system these things have sprung up which you are talking about, which certainly have reduced the free trading areas, the areas of free trading in the world? I am talking about currency controls, export licenses, import licenses, bilateral agreements, and so forth and so on.

Mr. WILLIAMS. Well——

Senator MILLIKIN. Let me ask you the basic question, have not those things reached their greatest proliferation during the life of the reciprocal trade agreements system?

Mr. WILLIAMS. That is a difficult question to answer. I think I would have to take about an hour to answer it, because I think it is necessary to refer to a lot of matters that could not possibly be embraced in a "Yes" or "No" answer to the question. I would find it very difficult to answer that. I do say you are absolutely correct, but those restraints have been applicable to our own economy also.

We have been, over a period of years, the only large creditor nation in the world, and we have led the world on restraints of economy. I have known European countries following the termination of the First World War rather intimately, and I know how relatively free as compared with our economy today those countries were. I operated a selling office in Germany, in Bremen, between the wars, and our operations there were far less subject to regulation and to restraints of government than is the case today in the United States.

Senator MILLIKIN. I would like to take the time to debate that with you. But Germany was operating on what was practically a closed economy prior to World War II. What was the name of that financial adviser that they have recently let go?

Mr. WILLIAMS. I am going back before 1933, of course. Yes, I know that with the advent of the Hitler regime there was the extreme of controls. I agree with you, Senator.

Senator MILLIKIN. Now, with respect to your statement a while ago that we are the leader in the world in restraints on trades, that is an astonishing remark, and, if that is true, let us get rid of some of these restraints. We have been the leader, have we not, in making concessions on imports?

Mr. WILLIAMS. Senator, of necessity, we would have to be the leader, because we are the one creditor nation of the world.

Senator MILLIKIN. Whether it is of necessity or not, we have been the leader in that; have we not?

Mr. WILLIAMS. I would say that is very definitely true.

Senator MILLIKIN. All right. Now, do we have a multiple-system of currency exchanges in this country? We have one dollar, whatever its worth may be. It has a fixed trading value, has it not, in this country? If someone wants to import things, he does not have to shop around for a half-dozen different types of dollars; does he? In other words, we are not maintaining the multiple-currency restrictions that almost every other country in the world is maintaining.

Mr. WILLIAMS. We are drifting in that direction, Senator.

Senator MILLIKIN. Would you say we are doing it?

Mr. WILLIAMS. No; we are not doing it. But today we are getting to that.

Senator MILLIKIN. Now, except for this quota system under section 22, for which you have no liking, but which most cotton producers are very fond of—except as to that and a few other quotas that come by virtue of special legislation, do we maintain a general quota system in this country?

Mr. WILLIAMS. The answer to that question is "No; we do not."

Senator MILLIKIN. No. All right. Do we enter into bilateral trade agreements? I mean, in the exclusionary sense, in the sense

that there are over 300 agreements, bilateral, which cut out of the whole world market certain areas of trade? Do we engage in that kind of business?

Mr. WILLIAMS. Which 300 are you referring to, Senator?

Senator MILLIKIN. I am referring to the agreement, for example, between Great Britain and Russia for the export from Britain of machinery in exchange for Russian wheat. Let us take that one, for example. Let us take the Argentine, British agreement, whereby in exchange for British machinery, Argentina sends over wheat and grain. Let us take that for example. We have no agreements of that kind. In fact, we have protested those agreements; have we not?

Mr. WILLIAMS. Definitely. And as far as our organization is concerned, we are opposed to barter in every manner, shape or form. We have definitely opposed barter transactions in which our own Government has been engaged.

Senator MILLIKIN. Do you wish to adhere to your statement that we are the leader in the restraints on world trade?

Mr. WILLIAMS. I do not believe that I said that we were the leader. I said that we had placed restraints on world trade. I do not think I said that we were the leader.

Senator MILLIKIN. If you did not say that in effect, I misunderstood you. I am sorry.

Mr. WILLIAMS. No; I did not intend that, because I definitely would have to be more specific, and I would have had to explain myself very clearly, because such is not the case.

Senator MILLIKIN. Thank you very much.

Mr. WILLIAMS. I did say, Senator, that we were the Nation which, of necessity, would have to lead in freeing the economy of the world, because we were the creditor nation, and all the currencies of the world, for international trading purposes, have passed out, with the exception of the dollar. It is the last hope of the capitalistic system, or world trading free of restraints, and the bartering of foods for foods.

This Congress, like preceding ones, is confronted with the single question of whether international trade is worth preserving. Certainly, the Reciprocal Trade Agreements Act may not be enough to maintain it, but if the act is crippled by the floor amendments adopted in the House, it will become meaningless and useless. We urge that the present act be extended without amendment, and that this Nation develop instead of repudiate the policy of tying non-Communistic nations to us by every possible bond of trade and friendship.

Thank you, Senator.

The CHAIRMAN. Are there further questions?

Senator MILLIKIN. Are you aware of the testimony of Secretary Acheson the other day, during which he evidenced a willingness for amendments to the reciprocal trade system? I am assuming, of course, of a type that meets with his approval. Are you aware of that testimony?

Mr. WILLIAMS. No; I did not read his testimony.

Senator MILLIKIN. Thank you very much.

Senator TAFT. Do you think that the peril-point amendment has any particular effect? It does not give anybody any power. The President can do under it exactly what he does today.

Mr. WILLIAMS. Senator, I believe that that point was covered in this statement, or the general thought of the merchants was covered

in this paper on that, when we said that definite calculation was required to do business in export. To enter into a trade involving the importation of goods and the exportation of goods, the calculation is very close, and uncertainty has to be removed to the greatest degree possible.

Senator TAFT. You cannot get rid of the uncertainty. These agreements run only 3 years. They do not have to be renewed. And the peril point does not change that any. There is no uncertainty about that. There may be some uncertainty about the escape clause. That creates uncertainty. But the State Department is the escape clause. So I do not see where your uncertainty argument comes in on the peril-point amendment.

Mr. WILLIAMS. Will you clear that up, Mr. White?

Mr. WHITE. Senator, I agree with you on that. It is the procedural question which is involved.

Senator TAFT. It takes a little more care to see that you do not actually put an industry out of business. You admit that you do not want to put any industries out of business.

Mr. WHITE. That is right.

Senator TAFT. So I do not see, at this particular stage, where this thing has already obtained so many reductions, that this peril point is going to change that in any way.

Mr. WHITE. If you require enough care, you can carry it to such an extreme, and particularly the industry that is resisting the application of it, that you do make it impossible, just as in trying a lawsuit, if I can postpone it long enough, as the defendant, it may serve to my advantage.

Senator TAFT. I do not think that the Tariff Commission has delayed anything by their reports. They have been very prompt. They take months to negotiate these agreements, anyway.

Senator MILLIKIN. In connection with these agreements, the Tariff Commission presented over 400 items for peril points. That was for the negotiation proceedings prior to Annecy. And they were required to do it within a limited time. As I recall, they had to do it within 120 days, and they did it.

Senator TAFT. Are you aware that imports have so increased under this that today the balance is against us rather than for us? We are importing more stuff than we are exporting.

Mr. WHITE. Of course, that is purely a temporary situation.

Senator TAFT. I do not know whether it is a temporary situation. You have to understand also that in that balance, although the exports and imports are balanced, I do not think that we have included $1,000,000,000 worth of tourist expenditures abroad, nor does that take account of the fact that we gave away part of those exports, and that we now are exporting gold to pay for our imports. Do you not think we have gone about far enough in this business of increasing imports? Have you not accomplished your purpose now? A little slowing up will not hurt you, will it?

Mr. WHITE. Of course, in the present situation, our view is that it does not mean too much just at the moment, because we know perfectly well, for instance, that we can get 80 cents for cotton if we are allowed to sell outside the United States.

Senator KERR. Get how much?

Mr. WHITE. Eighty cents. Mexican cotton can be sold for 80 cents.

Mr. WILLIAMS. In United States dollars.

Senator TAFT. Are you not forbidden to sell cotton outside the United States?

Mr. WHITE. Except on an export license. We are not allowed to sell. Of course, it is designed to stabilized the price of cotton in this country, so that they arbitrarily limited the amount of cotton that we can export.

Senator TAFT. You mean that they did that under this last price control?

Mr. WHITE. That is right. It was for the purpose of aiding stabilization.

Senator TAFT. That is part of the war stabilization program, is it?

Mr. WHITE. Yes.

Senator TAFT. It is no part of the reciprocal trade agreements?

Mr. WHITE. No.

Senator TAFT. There were no rights in this country to limit exports that I know of. If there were, there were rather limited rights.

Mr. WHITE. They brought it under the General Export Limitation Act. But one of the ends was to stablilize prices in this country, and it has kept them at some 30 cents less than the foreign level of prices.

The CHAIRMAN. Our cotton price is even under Mexico's, is it not?

Mr. WHITE. It is 30 cents below the Mexican price of cotton.

Mr. Williams. Thirty cents per pound in United States currency.

Senator TAFT. That is not part of the tariff system. The tariff system does not put any limitation on American exports. That is part of this control system that I voted against.

Mr. WILLIAMS. Yes. But it goes to show——

Senator TAFT. I have been trying to get those controls off for months.

Mr. WILLIAMS. Senator, it does show that when a ration coupon or a license plays a dominating part in an economy, money loses a great deal of its value. With a license to export, American cotton is the cheapest cotton in the world today, in cents per pound. And it is just that license that lowers the value of the dollar in terms of cotton outside of the United States, because you can have all the dollars you may possess, but you cannot buy a bale of American cotton at the American price from the United States unless you have that license.

Senator MILLIKIN. Are those licenses being withheld?

Mr. WILLIAMS. No. But they are limited. They are being allocated.

Mr. WHITE. Mr. Chairman, I would like to contribute one more remark to Senator Taft's question.

As to the $1,000,000,000 financing which we are in effect doing now, in what you might call gifts to foreign countries, that is more of a question of what level we are going to balance our trade at.

Senator TAFT. Why do you limit it to $1,000,000,000?

Mr. WHITE. I was using that as the figure of the ECA.

Senator TAFT. The ECA this year is about $2,000,000,000, and the foreign-aid programs in the present budget run $7,500,000,000, which includes at least $4,500,000,000 of arms and at least $3,000,000,000 of other things.

Mr. WHITE. And we would not regard our trade as balanced until that was not only unnecessary but until it was shown to be unnecessary over some period of years.

Senator TAFT. It is more than balanced. We are importing now more than the exporters are able to export, right at this time.

Mr. WILLIAMS. Senator, but that includes tremendous volumes of goods for stockpiling, imports for stockpiling. And it is not really a normal volume.

Senator TAFT. I do not think the whole stockpiling program will run over $500,000,000 in the last year, or whatever period the balance has been reached in.

Mr. WILLIAMS. I was under the impression that it was much larger than that.

Senator TAFT. The last 6 months is where imports have increased so much that they are drawing gold from the United States.

The CHAIRMAN. Thank you very much, Mr. Williams.

Mr. WILLIAMS. Thank you, gentlemen, very much.

The CHAIRMAN. I promised Senator Holland, of Florida, that I would call Mr. Luther Chandler. Is he in the room?

Mr. CHANDLER. Yes, sir.

The CHAIRMAN. Please come around, Mr. Chandler. We told Senator Holland we would call you this morning.

Mr. CHANDLER. I appreciate that very much, Senator.

The CHAIRMAN. He made a statement yesterday fitting into your statement.

Mr. CHANDLER. Yes, sir.

The CHAIRMAN. You may be seated and identify yourself for the record.

STATEMENT OF LUTHER CHANDLER, PRESIDENT AND CHAIRMAN, FLORIDA FRUIT AND VEGETABLE ASSOCIATION

Mr. CHANDLER. My name is L. L. Chandler. My post office address is Goulds, Fla. I am president and chairman of the Florida Fruit and Vegetable Association, whose headquarters is at Orlando, Fla.

This is a voluntary, nonprofit association of growers to speak for and to represent the vegetable growers in Florida in matters pertaining to their business.

I would like to suggest that rather than read a lengthy statement, which would take quite some time, and I am afraid the balance of the time up to 12 o'clock, just to read it, I will leave it with you, and I will talk to it just as briefly as I can.

The CHAIRMAN. The whole statement will go in the record, and you may talk to us briefly about it, because we are interested in hearing futher about the program that Senator Holland briefly outlined yesterday.

Mr. CHANDLER. I am going to get to that briefly.

Our industry produces approximately 350,000 acres of all kinds of vegetables annually, and represents about $100,000,000 of business. I think it is the third largest business in the State.

In the early twenties, we found ourselves facing severe competition from tropical countries, principally Mexico and Cuba. We have gone into that situation, and have studied the various vegetables and the commodities affected. If you do not mind, I will talk specifically about tomatoes; but when I say "tomatoes," I mean all vegetables in Florida. It is the largest commodity in terms of competition.

The CHAIRMAN. Very well.

Mr. CHANDLER. I do not believe that Senator Holland was quite sure of the exact periods when the competition occurs. It begins late in October or in early November and reaches through the season until the following June. The competition from Cuba or Mexico varies during that particular part of the season I have just named, depending on their weather conditions. Cuba primarily competes with us in December, January, February, and March. Mexico—the east part of Mexico—competes with us during the months of November, December and January.

The west coast of Mexico, which is the major competitor, begins shipping in December and runs until the following June, or when the market will not take their products any more.

Senator BUTLER. Is there any competition from the Caribbean area?

Mr. CHANDLER. Very little. There are a few—possibly a few thousand crates or perhaps less than 100 carloads, in toto, coming from Jamaica, the Bahaman Islands, or Haiti, and other Caribbean countries. The Central American countries are not involved at all. They would like to be, but sometimes quarantines and other things have stopped them.

This competition is primarily from Mexico—it has grown to be much the largest. I will give you just one brief example. According to our survey the cost in Mexico, with the figures agreed to by representatives of the West Coast of Mexico Vegetable Association in Nogales, Ariz., is $60.50 per acre, to produce and harvest an acre of tomatoes of about 100 lugs per acre yield.

The same cost comparison for Cuba is $88 per acre for about 100 lugs.

In Florida, the minimum cost is $300 per acre, and upward, with a yield of approximately 200 lugs. I believe last year the State average, or the average of the survey, disclosed 211 lugs, which makes a cost, produced and harvested, of $1.05 per lug in Florida, 80 to 90 cents in Cuba, and 30 to 40 cents in Mexico.

There must be a very strong reason for this. Primarily the cost is based on labor. In Florida, we are paying $5 to $6 per day minimum for farm labor, and for piece work we run from $10 to $16 per day. In Mexico, they pay three to six pesos, and you are, of course, acquainted with the money rate of exchange there.

Senator KERR. What do you mean by piecework, on tomatoes?

Mr. CHANDLER. Generally, harvesting, and wherever possible there are piece work rates for actual field work or production.

Senator KERR. Is this in connection with harvesting tomatoes?

Mr. CHANDLER. Yes, sir; primarily.

Now, then, with that facing us—and that has gone on. The actual production costs in Cuba and Mexico have risen but very little during all of these years. In Florida, our cost has risen from $80 per acre on the average in 1938 to this figure now, because our labor rates and our costs of materials have spiraled.

In terms of freight and all those items, the picture remains quite the same for all three areas concerned.

Now, what has happened is that as the years have gone along, we have often found our markets filled with excess shipments, creating a glut.

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Please remember in all of my discussion of this situation that I am talking about highly perishable commodities, which do not lend themselves to storage or to holding for other than just a few days in transit and a few days at the terminal markets.

I want to call to your attention the matter of prices referred to in our proposed statement. You will notice that those prices have to do with two price levels. One is the producer price level and the other is the consumer price level. There is very little relationship between those levels, because of the extreme costs and the various profits that are added by the first, second, and third broker, by wholesaler and retailer, and so forth.

Senator KERR. What is the weight of a lug?

Mr. CHANDLER. The weight is an average of about 32 pounds, sometimes more or less. But it is a minimum weight of 30 pounds. They are so treated in terms of statistics.

Erratic shipments from these two foreign countries, dumping 1 day 20 cars across the border and the next day 120 cars, bring about these excesses and gluts, and, remember, these commodities cannot be held.

Long years ago we appeared here before the various committees and various commissions; we appeared before this Senate Finance Committee and the House Ways and Means Committee in 1928. We asked for a prohibitive duty rate. We thought that was the answer. We knew nothing of world trade and the advantages thereof. We just wanted somebody to stop Cuba and Mexico. And we asked for that.

Well, they did not give it to us. They finally agreed upon, and gave us, a partial protection through a duty rate of 3 cents per pound on tomatoes; Cuba enjoys the 20-percent preference, which made her tomatoes pay 2.4 cents.

The years passed. Along came the Trade Treaty Agreements Act, further reducing those duties from time to time until Mexico now pays 1.5 cents per pound and Cuba pays 1.2 cents per pound. We are very much alarmed and fearful that in the whole program at Torquay, England, they will further reduce the duty rates, because that is what they announced they went there for.

Tomatoes are on the list. And I am speaking of tomatoes in their fresh state. I am not talking about the canned or processed tomatoes, either domestic or foreign. The situation would be quite comparable, but I do not happen to be, and my association is not engaged in that particular business.

A growers' committee went to Mexico and Cuba, at our own expense, and with approval of those who were in authority, the vegetable areas on both the west and east coasts of Mexico, also in Cuba.

We were at a loss as to how to solve this problem. We had found that a duty rate was not the answer, because, to stop or limit the shipments of these vegetables from Cuba and Mexico, a prohibitive duty rate would be required. We knew that the trend of business and government was not that way, so we gave up the idea of prohibitive duty rates. The equalizing tariff was cut in half by the Cuban Trade Agreement. The original duty rate of 3 cents was not enough to control these shipments, therefore, we decided that we must survey this problem.

We asked the only agency representing the Mexican growers, the West Coast of Mexico Vegetable Association, which controls and finances 86 percent, I believe, of the vegetable business in Mexico. Now, these are American citizens principally. The same is true in Cuba. Those people surveyed the problem with us.

After 2 years of effort, we sat down one morning at 9 o'clock and at 9:30 we had reached an agreement with the Mexican group which we felt was an answer to this problem. We agreed we would present this program to our Government.

We went to Havana, Cuba, and did the same thing.

Now, basically, that program—and that is what Senator Holland wanted me to explain—took into consideration markets, supply, and demand, and how much could the American market absorb of these vegetables, and was there any way to stabilize the markets so that the consumer would be treated fairly. We had to know how many tomatoes and other vegetables would the consumers want. We had to know what it would cost to produce them in both the foreign and domestic areas, and see if we could reach an adjustment.

Our answer was this: It is an economic answer. If we could regulate the flow of these perishable—please do not forget that word—commodities to the markets so that the trade would be supplied and yet not oversupplied, the markets would stabilize and they would sell at a price so that the consumer would be treated fairly and yet the producer would make a living back in Mexico. We found that in Cuba and in Mexico they realized these excesses occurred, but they had no way of controlling or limiting them that they could enforce.

Senator MILLIKIN. Are the workers American workers?

Mr. CHANDLER. No, sir. In Mexico and Cuba they are peon laborers, principally, hired at much lower rates than we pay in this country.

Senator MILLIKIN. You are referring to the management and the capital?

Mr. CHANDLER. Yes, sir; the financing, primarily. Then the importation, the distribution, the collection and the payment are what is left to the actual producer in Mexico.

We found those people were in trouble, too. They already knew it, and they wanted to help work out the answer. I point with great pride of accomplishment to the fact that not only did the American citizen group in Nogales, Ariz., representing 86 percent of the imports from Mexico, agree, but 100 percent of those from Cuba and 100 percent of the industry group from Florida agreed.

Senator MILLIKIN. What was the gist of your agreement?

Mr. CHANDLER. The gist of it was very simple. First, they wanted the duty rate reduced. It was not enough to stop them. It was only a financial nuisance. We agreed because the duty rate does not do us any good at all. I do not get it, nor does it protect me. They wanted the duty rate reduced as much as could be allowed by law, and they agreed in turn, at our suggestion, that they would join with us in asking our Government to set a daily quota or a weekly or a monthly quota, depending on the amount involved and the commodity involved, so that the flow to markets would be regulated in a fashion that the markets would become stabilized. They thought that was worth a lot of money to them.

In our statistical survey we found that any time a market broke, there were more shipments than the market could absorb. So, we took a range of what it would take to cause them and us to prosper: We found those figures would total what the agreement we made with them represented.

Senator TAFT. Is there not a temptation in such an agreement to put that price high enough so that everybody makes perhaps more profit than he ought to make?

Mr. CHANDLER. Senator Taft, you cannot do that with a perishable commodity, because while you are holding it and trying to get a higher price than you would get, the commodity goes bad and you are out. It just does not lend itself to that.

Senator BUTLER Who would hold the crop? The producer?

Mr CHANDLER The producer or the man who has bought it.

Senator TAFT. Of course, I suppose you would work out this shipment on some cooperative basis? You would avoid the Sherman Act under the cooperative laws?

Mr. CHANDLER. Please understand that when you talk about an agreement——

Senator TAFT. Such as the citrus fruit growers.

Mr. CHANDLER. You understand that when we agreed with the people representing the west coast and the Cubans, we could not do anything except endorse a program and submit it to our Government. We knew that we had no right or authority to enter into any private agreement or carry it through.

Senator TAFT. But your program would involve not only the shipment of cars from Mexico, but it would have to control the shipment of cars from Florida?

Mr. CHANDLER. Eventually it would; yes, sir. There is nothing in the agreement to that effect, however, because we have assumed the position that our own Government and our own Department of Agriculture at the proper time would ask us to do those things. And let me state for the record here, fast and quick, we do not in Florida want any part of subsidies or price support or controls or things of that sort. That is not the answer. We have just gone through the agonies of one on potatoes.

Senator BREWSTER. How about marketing agreements?

Mr. CHANDLER. Marketing agreements? We would take one.

Senator BREWSTER. That is what you eventually look forward to?

Mr. CHANDLER. Yes, sir. But our growers in Florida certainly would not vote for a marketing agreement with foreign competition wide open and pouring in excesses. We just could not get them to do it. I am sure they will, though, when the proper time comes.

Senator MILLIKIN. Have you studied the possible leeway that the Webb-Pomerene Act might give you to conclude a private agreement between Mexican associations and Cuban associations, and your own associations?

Mr. CHANDLER. No, sir; I cannot answer that question intelligently.

Senator MILLIKIN. I am very hazy on the Webb-Pomerene Act.

Mr. CHANDLER. We had attorneys check what could be done, and legally, but there is no way of enforcing any such agreement either in Cuba or in Mexico. So we arrived at the inescapable conclusion that the only regulation that could be imposed would be a limitation at the border, placing that limit under Government control, of course,

to be adjusted from time to time as might be necessary, and with proper escape clauses, so that if Florida had a freeze and we were temporarily out of business, they would waive the restrictions, and all that sort of thing.

Senator TAFT. What percentage, roughly, do you give them of the business?

Mr. CHANDLER. Mexico would have shipped under this agreement 7,265 carloads, Cuba would have shipped 1,750; and Florida would have shipped approximately 8,000 to 10,000 carloads. I am speaking now of tomatoes. That is not the total of all vegetables.

Senator TAFT. What about California?

Mr. CHANDLER. California and Texas both are interested, but very little, because their crops come in earlier than do the foreign crops, and later, so the competition is very slight with them, although there is some.

Senator TAFT. So roughly speaking, you give them around half of the market.

Mr. CHANDLER. Almost; yes, sir.

Senator TAFT. During those months?

Mr. CHANDLER. Yes, sir.

Senator TAFT. What months are those, again?

Mr. CHANDLER. November 1 to June 1.

Senator TAFT. November 1 to June 1.

Mr. CHANDLER. And spread over the history with amounts, as history has shown us, the markets could absorb, and at what prices.

Senator WILLIAMS. Do they come in as fresh vegetables or processed?

Mr. CHANDLER. Fresh.

Senator WILLIAMS. Could they be processed afterward?

Mr. CHANDLER. Yes, sir; but at the price they come in, no processor would dare to take them, because he could merely wait until the summer, when he could find all these products he wanted at a fraction of the cost of the winter-grown vegetables.

The CHAIRMAN. Would you have to change this quota that came in day by day or week by week?

Mr. CHANDLER. No, sir. We agreed that should be on the basis, Senator, of so many cars per day for certain months, and that it would stop there, because the markets just will not take any more. You see, those coming in from Mexico would primarily come in at Nogales, Ariz., and Laredo, Tex.

Senator KERR. Where would they go to?

Mr. CHANDLER. The amount we agreed upon as being economically sound would go principally to the west coast and west of the Mississippi. They could go anywhere. There were no restrictions on when they would go. We tried to scheme out how they would be given to different parts of the country.

Senator TAFT. The Cubans would go where?

Mr. CHANDLER. The Cubans would go to New York City or come in at Palm Beach and be distributed from there by rail or truck.

Senator BREWSTER. What would happen if some other enterprising Americans decided to go down to Mexico and Cuba and start in the vegetable business? What do you do to them?

Mr. CHANDLER. I cannot answer that, because they would have to work that out on that side.

Senator TAFT. They would have to have governmental interference on their side to do this, would they not?

Mr. CHANDLER. I imagine so.

Senator BREWSTER. You mean the Government will not let an American go into it, or anybody else?

Senator BUTLER. It is run on American capital now.

Senator BREWSTER. Yes. But I said, some more Americans.

Mr. CHANDLER. The Cubans themselves said that they would handle that on their side of the border and that we had nothing to do with it.

Senator KERR. That is convenient.

Mr. CHANDLER. Yes, sir.

Senator BUTLER. These projects in western Mexico are on irrigated land?

Mr. CHANDLER. Yes, sir.

Senator BUTLER. From water that comes from the United States?

Mr. CHANDLER. Not entirely; no, sir. On the eastern side of Mexico, the Rio Grande River goes through there, and there is some division of water there. Farther down east, about 150 or 200 miles, they take it out of another river. The cane growers get most of the water for distribution there, but over on the west coast, where Mexico has been growing 50,000 acres of vegetables per year, she jumped it to 80,000 last year, and she is prepared to jump it to 250,000 acres in one spot.

Senator BUTLER. And that water comes out of the Colorado River?

Mr. CHANDLER. No, sir; that comes out of the Sierra Madre Mountains. It is melted snow that they store up in a lake with a new dam on the Culiacan River.

Senator TAFT. Is that on the coast?

Mr. CHANDLER. On the lower west coast.

They could multiply their industry by five. We came up here and presented this to Senator Holland and Senator Smathers, who was at that time a Representative from our State. They studied it over very thoroughly, and took us to the State Department where this was very carefully explained to the Trade Treaty Division, and to various and sundry ones in the State Department. They listened to it all very carefully and told us to present it to the Committee for Reciprocity Information. We did.

Senator BUTLER. Your study must have been carefully made, and so you must have a sketch somewhere showing this possible 200,000 acres. I would be very interested in seeing that.

Mr. CHANDLER. I could certainly give it to you. I do not have it here today. I would just be delighted either to submit it for the record or send it to you personally.

Senator BUTLER. Will you send it to the committee?

Mr. CHANDLER. I will be glad to do so.

(The study, when received, will be made a part of the record and will be on file with the committee.)

The CHAIRMAN. Has the State Department suggested that any legislation was necessary?

Mr. CHANDLER. No, sir. After the State Department talked to us, and after the Committee for Reciprocity Information had its hearings, we felt that we had really accomplished something. Here

were the representatives of the foreign and domestic parts of the industry in agreement, all the way down and across the board. We went to the Department of Agriculture, the Foreign Relations Division, and they gave us their approval as nearly as they could, with their officials, in verbal conversations. We talked with officials in the Tariff Commission about it, and we thought that we had really accomplished something.

Senator KERR. Did you go to the Department of Justice?

Mr. CHANDLER. No, sir. I was asked the question, What did the Department of Justice think of this, and I said, "I don't believe they are going to object, because I have done nothing but work out a program to submit to my own Government for adoption."

We have never had an answer. We know the conference is going on in Torquay, England. They have told us that as a matter of policy our program cannot be adopted. And when we try to find out wherein this policy controls highly perishable fruits and vegetables, they are then lost in a maze of explanation, and frankly we are very impatient. We have worked on this problem since 1928, and it is less near solution apparently today than it ever was in the past.

Senator KERR. Yes. I would say that if they jumped up production to 250,000 acres, there might not be any solution.

Mr. CHANDLER. The solution would not be necessary. You are right. We would just be out of business.

The whole story boils down to this. We in Florida would like—and our industry would like—to leave with your committee a proposal that we think is fitting to this particular problem. We do not claim that we are big enough to say what should be done with all of the angles of world trade. We wish to adapt ourselves to a program that will take care of us in fairness and be fair to the consuming public and yet permit you gentlemen in the Congress and the Government to determine all the problems with relation to the pocket knives or what not. We are talking about commodities that are perishable, and we need specific treatment because of this perishability and the lack of any other means of accomplishing the answer to this very vexatious problem.

Senator KERR. Can the tomatoes from the west coast of Mexico be freighted to Chicago and the markets east of there?

Mr. CHANDLER. They are sold in every market in the United States. Every market in the United States carries Mexican tomatoes and/or Cuban tomatoes at the same time they carry Florida tomatoes.

Senator KERR. I can understand how the east coast and as far west as Chicago might take Cuban tomatoes, but I surely do not see how Chicago-east can take Mexican tomatoes from the west coast of Mexico.

Mr. CHANDLER. They can, though.

Senator KERR. They can?

Mr. CHANDLER. Yes, sir. The record discloses that.

Senator TAFT. The price is higher. That is the reason.

The CHAIRMAN. The difficulty I think is in framing any legislation that would permit this.

Mr. CHANDLER. We believe we have one; we have discussed that with Senator Holland, and his ideas were submitted to the legislative counsel. If you want me to read it, it is very short.

The CHAIRMAN. You would have to leave it here with us for study, anyway.

Mr. CHANDLER. Very well, sir.

The CHAIRMAN. If you do that, I would be very glad to look at it. I do not know that legislation would be necessary if you could get full agreement and cooperation with the State Department and the Agriculture Department.

Mr. CHANDLER. We thought that. But the State Department apparently does not think so.

The CHAIRMAN. They do not think so?

Mr. CHANDLER. No, sir. They tell us they cannot do this because of policy.

The CHAIRMAN. Policy?

Mr. CHANDLER. Policy, yes, sir. We have been told that repeatedly.

Senator MILLIKIN. What is the attitude of your association on the House bill?

Mr. CHANDLER. On the House bill? Senator Millikin, we feel that the House bill itself, as to the actual extension of the Trade Agreements Act, is probably the best thing. We do not know all the answers to all the economic problems of the Nation. On the three amendments, one by one, we do not feel that they are sufficient to really accomplish what we would like to see accomplished but they are at least in the right direction, and we would recommend their support. Our Florida House delegation did support them.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Thank you, sir.

Senator BREWSTER. Is this place that you were referring to a few hundred miles below the Imperial Valley there?

Mr. CHANDLER. Yes, sir; about 700 miles below it.

Senator BREWSTER. It has the same water that we find in the Imperial Valley?

Senator KERR. I think the Senator was asking you whether or not it would have water that would be coming from the Colorado River.

Mr. CHANDLER. No, sir; I do not believe that is true. I think that water comes from the mountains of their own area, and is not drawn from the mountains within the United States.

I would like to leave a copy of this Mexican understanding and the Cuban one.

The CHAIRMAN. Yes; do so, and we will be very glad to have it.

(The documents referred to are as follows:)

HABANA, CUBA, *August 24, 1950.*

ASSOCIATION OF FRUIT AND VEGETABLE GROWERS AND EXPORTERS OF CUBA

This is an agreement by properly authorized officials and/or members of the Association of Fruit and Vegetable Growers and Exporters of Cuba and the Florida Fruit & Vegetable Association, 29 South Court Street, Orlando, Florida. This agreement is the result of an exchange of information between the two associations named herein, after a free discussion of the competitive shipping problems of tomatoes and other vegetables to the United States from Cuba, and also from Mexico.

The Florida Fruit and Vegetable Association was represented by L. L. Chandler, Chairman of such association, and Chairman of the Foreign Competition Division of that association, accompanied by L. L. Yelvington, a duly appointed representative of that association. The Cuban Association of Fruit and Vegetable Growers and Exporters was represented by Julio Forcade, Secretary, and members of that association, who were a Committee to study, negotiate, and take the action

contained in this agreement. Among those members present were, Mr. John Leto, Mr. Vicente Rodriguez, Mr. Angel Suarez, Mr. Rossitch, Mr. Alfredo Duarte, and other members. Also, Engineer Julio Gomez, Chief of the Export Division of the Department of Agriculture of Cuba.

Long and earnest discussion and reference to statistical records was had, the agreement by and between the West Coast of Mexico Vegetable Association of Nogales, Arizona, and the Florida Association named herein was fully discussed and studied.

It was agreed, as set forth herein, that the competitive situation affecting the shipping of fresh tomatoes in their natural state to the United States from Cuba and from Mexico could be better approached and admitted problems better solved by a mutual understanding of each other, an exchange of information, and a full cooperation extended by the industries represented by the associations herein. Therefore, the following agreement was entered into, with the full understanding that the associations herein would make further study of this problem, and if further necessary, mutually make such changes in this agreement as was agreed by them to be fair and necessary, and then jointly present this agreement to the Committee for Reciprocity Information, Washington, D. C., in the form of a brief, September 14, 1950, and at such date set thereafter, would jointly appear before this committee and give oral testimony approving of this agreement and explaining the same in full, that this agreement and recommendation would be presented to the proper government officials and departments of the government of Cuba.

1. That the attached schedule of total weekly shipments from Cuba to the United States is recommended by the two associations named herein, for the years 1950–51, 1951–52, and 1952–53 seasons, that such recommendation be made to the respective governments of the United States and Cuba and included in the next Trade Treaty made and entered into by those two governments for a three-year period. It is recognized that perhaps this schedule and program might be better worked out by the two governments on some other basis than a Trade Treaty, acceptable to the two governments.

2. It is agreed that a 10% tolerance regarding schedule of shipments shall be made a part of this agreement. This is for the purpose and intent that if unusual circumstances, such as railroad strikes, steamship strikes, railroad or steamship failures or breakdowns, storms, or any such unusual occurrence, known as Acts of God, beyond the normal and reasonable control of the growers and shippers in Cuba, that due to such occurrence, any failure to ship the allotted schedule of shipments for that weekly period, then not more than 10% of what could have been shipped during that weekly period according to the schedule, may be shipped the following week in addition to the regular schedule of shipments for that following week. It is recommended that the determination of when this tolerance provision shall be invoked, shall be determined by the United States Consul in Havana, Cuba, or the Agricultural Attache of the American Embassy, Havana, Cuba, whichever the United States government may prefer. Proper information as to such occurrence shall be presented to such delegated official, and he shall make immediate decision concerning the same, and his decision shall be final and acceptable.

3. It is recommended that as a part of this program there shall be provided what will be known as an escape clause which will provide that in the event of any disaster occurring in Florida to seriously reduce the shipments of tomatoes from that state, then there shall be an immediate survey of such happening and situation in Florida by the official crop survey department of the U. S. Department of Agriculture to determine the cause and extent of such shortage and how long will such shortage apparently continue. This report shall be made as quickly as possible to the Secretary of Agriculture of the United States government, who shall immediately make such report known to the Department of State of the United States, and shall recommend how long it appears such shortage will continue. Based on this report, the Department of State may cause to be waived or relaxed for such recommended period of time, this entire schedule of permitted shipments from Cuba. And if such shortage appears sufficient to so warrant, any schedule of shipments similar to this effecting the shipments from Mexico may likewise be waived or relaxed for such period. The associations herein recognized the difficulty of making any such survey quickly enough regarding a disaster of any kind cutting short shipments from Cuba and/or Mexico to the United States, and to the best extent possible recommend that in conjunction with the Department of Agriculture of either the government of Cuba or the government of Mexico, as the case may be, that based upon such disaster occurring and resulting in such shortage

as may seriously effect the shipments from either of the two countries named, then it is recommended that this proposed schedule of shipments from either Cuba or Mexico may be waived or relaxed, based upon such information to cover such period of shipments. This recommendation is made in order that any shortage of supply of fresh tomatoes to the consuming public in the United States will be quickly recognized and proper steps taken to insure a normal and ample supply of fresh tomatoes to the consuming public of the United States.

4. The association herein, representing the Cuban vegetable industry, will endeavor to regulate as far as is possible the volume of shipments permitted under this schedule being shipped by railroad or steamship, in order that excessive volume will not arrive at any one market at any one time sufficient to cause gluts or excess supplies in such market.

5. The association herein representing the Cuban vegetable industry, will endeavor in every way possible to improve and accomplish standards of grades, quality and sizes of tomatoes to be shipped into the United States under this schedule. The association, representing the Cuban industry, will endeavor to aid and assist all the officials and departments of the government of Cuba to their fullest ability to carry out this agreement and program.

6. The association herein, representing the Florida vegetable industry, agrees as such to recommend, support and use its influence to accomplish the adoption and application of this program by the government of the United States, through its proper agencies and departments, especially the Department of State. And further herein recommends that, in conjunction with and simultaneously thereto, when the proposed shipping schedule has been made a part of a Trade Treaty between the government of the United States and the government of Cuba, that they will agree to and recommend to the government of the United States that it will reduce the import duty rate on tomatoes in their fresh state from Cuba to the United States, to the fullest extent allowed by law.

7. It is fully agreed to and understood by the associations herein that the proposed schedule of shipments of tomatoes, as agreed to herein, will not be imposed unless the duty rate on such tomatoes shall be reduced by the government of the United States 50 percent of the present duty rate or the fullest extent allowed by law. Because of the intent and purpose of this agreement, it is fully agreed that neither of the associations herein would recommend the accomplishment of this agreement unless the duty rates imposed on shipments of tomatoes in their fresh state from Cuba be reduced and simultaneously, the schedule of shipments imposed.

8. There is a similar agreement made by the Florida association named herein with the West Coast of Mexico Vegetable Association of Nogales, Arizona, and the associations herein pledge themselves to support that agreement and recommend its adoption simultaneously with the adoption of this agreement, or as soon as possible. This agreement named pertains to the shipping of tomatoes from Mexico into the United States.

9. The Florida Fruit & Vegetable Association, the Association of Fruit and Vegetable Growers and Exporters of Cuba, and the West Coast of Mexico Vegetable Association of Nogales, Arizona, all named herein, agree that they will create a board or committee to be known as the Domestic and Foreign Competition Tomato Committee, and which committee shall consist of three representatives from each of the three associations named. These industry representatives may be either growers or shippers, or duly appointed representatives, and shall be selected from these industry groups representing or doing business in and for the countries they represent. They shall meet from time to time at places agreed upon and each group shall bear its own expenses. They shall continuously study, make records of, obtain all the information they possibly can, see that information is exchanged by and between the industry groups they represent, and shall, from time to time, recommend to the respective governments their joint recommendations pertaining to the problems of the tomato industry they represent. They shall confine generally their activites and recommendations to those areas, domestic and foreign, and periods, wherein competitive shipments take place. All recommendations made shall contain majority and minority reports in full.

The associations herein agree to keep each other fully advised in all respects and to always exhchange all information pertaining to the fresh tomato industry.

The associations herein recognize that after many years of competition, unregulated shipments, improper distribution of shipments, with no regard as to what their competitors are doing, that great distress and failure to prosper has been the result. They recognize that there have been many times when markets in the

United States have been badly oversupplied, glutted, and overtaxed by such procedure, and the associations herein are anxious to try to correct this situation to the end that the production and shipping of fresh tomatoes from both Florida and Cuba, as well as Mexico, can be carried on in a manner by which the growers and shippers will prosper. The associations herein recognize that the consuming public of the United States must be at all times amply supplied with fresh tomatoes in those seasons of the year when they are not produced generally in the United States, and that the consuming public should have these tomatoes at fair and reasonable prices. In order to accomplish this, the associations herein have made this long, detailed, and careful study of the entire situation, including market surveys and necessary amounts to supply the consuming public in the United States at fair and reasonable prices. To that end the associations herein thus concluded this agreement and respectfully request the Government of the United States and the Government of Cuba to adopt this program and recommendation as set forth.

FLORIDA FRUIT AND VEGETABLE ASSOCIATION,
Orlando, Fla.
By L. L. CHANDLER, *Chairman.*
THE ASSOCIATION OF FRUIT AND VEGETABLE GROWERS AND EXPORTERS,
By JULIO FORCADE, *Secretary.*

Schedule of proposed shipments of tomatoes in their fresh state for 1950–51 season to be shipped from Cuba to the United States. This is a weekly schedule of shipments for the 1950–51 season and for the 1951–52 and 1952–53 seasons, the same total of lugs or carloads equivalents, based on 700 lugs per car, shall be adjusted to the weekly periods for these seasons, beginning Nov. 1 and ending the following June 1 with the same total per week and/or total per month applying. This is as per agreement by and between the Florida Fruit and Vegetable Association and the Association of Fruit and Vegetable Growers and Exporters of Cuba, entered into and dated Aug. 24, 1950

Weekly periods	Total carloads	Total lugs	Total per month	Total carloads per month
Nov. 5–11	5	3,500		
12–18	10	7,000		
19–25	15	10,500		
26–2	25	17,500	38,500	55
Dec. 3–9	30	21,000		
10–16	30	21,000		
17–23	60	42,000		
24–31	75	52,500	136,500	195
Jan. 1–7	75	52,500		
8–14	90	63,000		
15–21	100	70,000		
22–28	110	77,000		
29–3	120	84,000	346,500	495
Feb. 4–10	120	84,000		
11–17	120	84,000		
18–24	120	84,000		
25–3	110	77,000	329,000	470
Mar. 4–10	105	73,500		
11–17	105	73,500		
18–24	95	66,500		
25–31	70	49,000	262,500	375
Apr. 1–7	35	24,500		
8–14	25	17,500		
15–21	20	14,000		
22–28	20	14,000	70,000	100
May 29–5	20	14,000		
6–12	20	14,000		
13–19	10	7,000		
20–26	10	7,000	42,000	60
Total for season			1,225,000	1,750

NOTE.—Carload=700 lugs. Lugs are standard lugs.

WEST COAST OF MEXICO VEGETABLE
ASSOCIATION OF NOGALES, ARIZ.,
Nogales, May 31, 1950.

Mr. LUTHER L. CHANDLER,
Chairman, Florida Fruit and Vegetable Association,
Orlando, Fla.

Mr. DIXON PIERCE,
Vice Chairman, Florida Fruit and Vegetable Association,
Orlando, Fla.

DEAR MR. CHANDLER and MR. PIERCE: As a result of the negotiations which we have conducted with you, as representatives of the Florida Fruit and Vegetable Association, since September 1949, we wish to state that the West Coast of Mexico Vegetable Association of Nogales, Ariz., has agreed in principle, subject to amendments which we may mutually agree upon later, to the joint plan evolved from our negotiations as a basis upon which to solve the competitive problems existing between growers and shippers of tomatoes in the United States, and growers and shippers in Mexico who export tomatoes to the United States for sale in the markets of the United States.

In effect, the following is our understanding of the agreement jointly agreed upon between your association and ours:

1. That Mexico, including all growing and shipping areas, ship not to exceed 7,265 carloads of tomatoes to the United States per annum, during the months November to May inclusive.

2. That the exports of Mexican tomatoes to the United States be regulated on a daily basis in accordance with the following schedule:

Month	Number of cars to be permitted to cross the border from Mexico to United States	
	Daily	Total for month
November	25	750
December	35	1,050
January	35	1,050
February	35	980
March	45	1,395
April	45	1,395
May	20	620
Total		7,265

3. That a weekly tolerance of 10 percent be allowed to correct train delays, accidents, etc., which will operate as follows: If for some reason the number of cars permitted to cross the border daily is not met, 10 percent of the week's total permitted shipments may be shipped in the week following, in addition to the cars allotted to cross in that week following. As an example, suppose that shipments are being made in March at the rate of 45 carloads daily. During that week the daily shipments for two days amount to only 30 cars each day. The total shipments for that week would amount to only 285 carloads instead of the scheduled 315 carloads. Ten percent of 315 would be 31.5 carloads. Therefore the 30 carloads which were not shipped during that week could be shipped during the next week, in addition to the allotted 315 cars allotted for that succeeding week.

4. That shipments of carloads of tomatoes from Mexico to Canada which cross the border shall not be charged against the total carloads allotted for shipment from Mexico to the United States.

5. That the Florida Fruit and Vegetable Association present this agreement to the representatives of the various associations in the United States whose members grow or ship tomatoes with their recommendation that those associations adopt this agreement and become parties to the agreement and to use their influence and efforts to put the provision of the agreement into effect among their members, by shipping agreements, and by urging the various government departments to use the agreement as a basis of a treaty with Mexico as indicated in paragraph 6 below.

6. That the associations in the United States who are or become parties to this agreement, petition the Government of the United States to negotiate a treaty with Mexico based on this agreement, as outlined herein or as amended, in order to give the provisions of the agreement the force and effect of Government sanction by the two Nations, and in order that the schedule of daily shipments may be enforced under governmental control.

7. That the West Coast of Mexico Vegetable Association agrees to submit this agreement to the several growers' associations in Mexico, whose members grow tomatoes for export to the United States, with the recommendation that they adopt its provisions and that they become parties to the agreement and they petition the Mexican Government to negotiate a treaty with the United States Government, in order to give the provisions of the agreement the force and effect of Government sanction.

8. That the West Coast of Mexico Vegetable Association agrees to recommend and urge the various associations of growers of tomatoes in Mexico to put into effect immediately the provision of the agreement regarding daily shipments, in the belief that regulated distribution of our tomato shipments will benefit the industry by eliminating periods when the volume of shipments are greater than the markets can reasonably handle, with the resulting drop in prices.

9. That as a part of the agreement all associations in the United States and in Mexico which become parties to this agreement will petition their respective governments to include in their trade treaty agreement provisions that the United States import duty on tomatoes imported from Mexico be reduced from the present rate of one and one-half cents per pound, to three-fourths of a cent a pound, and that the Mexican Government cancel all export duties on tomatoes exported to the United States.

10. That an agreement be worked out at a later date to provide that in the event of some disaster, such as floods, freezes, or disease which reduces the production in the growing areas of the United States, Mexican daily shipments of tomatoes to the United States may be increased over the amounts listed in paragraph 2 above.

Speaking collectively, we wish to thank you and the members and officers of your association for the time and effort you have given to the negotaitions which have resulted in this agreement. We especially wish to thank you, Mr. Chandler and Mr. Pierce, for your patience in this work, and for making the long trips from Florida to Nogales.

We are sending a delegation to Culiacan, Sinaloa, Mexico, on June 25, to meet with the several associations from the States of Sinaloa and Sonora and we will advise you as soon as possible of their decision in respect to this agreement. We shall urge them to adopt this agreement which we believe will be of great benefit to our industry as well as to the growers of tomatoes in the United States. Should they for some reason decide not to become parties to this agreement at this time, you may know that the reasons which caused us to make the agreement are still valid and that we will do all we can to put the principal points of the agreement into effect which are not in conflict with our duty to our growers.

With kindest regards to you and to the members of your fine association.

West Coast of Mexico Vegetable Association,
George R. Martin, *Secretary Manager.*

Mr. Chandler. I want to leave the proposed amendment with you. It is only one page. I have it here, Senator.

The Chairman. Very well.

(The document referred to is as follows:)

To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, viz: At the end of the bill insert the following new section:

"Sec. (a) Whenever, upon the recommendation of the Secretary of Agriculture, the President has reason to believe that any one or more perishable fruits or vegetables are being or are practically certain to be imported into the United States under such conditions or in such quantities as to materially interfere with the orderly marketing of such commodity or commodities in the United States, he shall establish such import quotas on any such commodity as he may find necessary

to provide for the orderly marketing of such commodity in the United States. Such quotas shall be established on a daily, weekly, monthly, quarterly, or yearly basis, as may be advisable in the case of each respective commodity.

"(b) Any such quota shall be fixed at a point calculated to maintain the price received by American producer at the parity level, and may be adjusted from time to time, upon the recommendation of the Secretary of Agriculture, with a view to maintaining the parity price.

"(c) In the formulation of his recommendations to the President the Secretary of Agriculture shall consult domestic producers and such representatives of foreign producers as he may deem to be of assistance in the formulation of mutually advantageous regulations."

Mr. CHANDLER. Also, I would like to leave this wire from the Cuban association, endorsing the program.

The CHAIRMAN. Thank you.

(The document referred to is as follows:)

HABANA, *February 28, 1951.*

Mr. LUTHER CHANDLER,
President, Florida Fruit and Vegetable Association,
Washington, D. C.:

We hereby ratify our original position contained document August 24, 1950. We most agreeably cooperate to an understanding with Florida and Mexico tomato growers to have the American market orderly supplied and we expect that the promised and badly needed 50-percent reduction tomatoes tariffs will be effective real soon. This is a voluntarily and multilateral agreement and we would like it very much to see it go through right away.

Dr. JULIO FORCADE,
Secretary, Cuban Growers Association of Fruit and Vegetables.

Mr. CHANDLER. I also have a copy of my statement to be left for the record.

The CHAIRMAN. Thank you for your appearance.

Mr. CHANDLER. I do appreciate your hearing me, too, Mr. Chairman.

The CHAIRMAN. Thank you. We are glad to hear you.

Senator KERR. Mr. Chairman, it occurs to me that the gentleman from Florida there has a proposal which if enacted would save a lot of transportation facilities, and it would certainly save a lot of time in hauling tomatoes from 700 miles down the western coast of Mexico to the New York market.

Mr. CHANDLER. It ties up an express refrigerator car four times as long to move a carload of tomatoes from lower Mexico as it does from Florida.

Senator KERR. Yes, sir. I think that point ought to be in the record.

Mr. CHANDLER. Thank you, sir.

(The prepared statement of Mr. Chandler is as follows:)

STATEMENT OF LUTHER L. CHANDLER, CHAIRMAN, FLORIDA FRUIT AND VEGETABLE ASSOCIATION, ORLANDO, FLA.

My name is Luther L. Chandler, of Goulds, Fla. I am a native of Florida, and have been a grower of fruits and vegetables for the fresh market for more than 30 years, my principal commodities being tomatoes, beans, potatoes, avocados, and limes. I am testifying before your committee as chairman of the Florida Fruit and Vegetable Association, a nonprofit agricultural cooperative which represents the majority of the fresh vegetables and tropical fruits produced in the State of Florida.

The membership of this association is comprised of growers of tomatoes, avocados, limes, cabbage, cucumbers, eggplant, green peppers, lima beans, and potatoes, all of which have experienced serious effects from imports of those commodities from Mexico, Cuba and other countries since the 1920's. Others of its

members grow snap beans, celery, lettuce, escarole, sweet corn, watermelons, and other vegetables. The latter do not yet have important foreign competition, but it is only a question of time before they do since any fruit or vegetable now produced in the Florida area can be produced easily and cheaply in Cuba, Mexico, and other tropical countries.

Last crop year more than 350,000 acres were planted to these commodities in the State of Florida. An annual gross income in excess of $100,000,000 accrues to the producers, shippers, suppliers and their employees. It is an important segment of the Florida economy.

The foreign competition problem of late fall, winter, and early spring production of fruits and vegetables in the domestic areas of the United States (especially Florida which suffers the major brunt of foreign competition, and to a lesser degree, acreas in California, Arizona, and Texas and the hot-house districts in the Midwest has for 30 years been a serious one. This competition comes principally from Mexico, and secondarily, from Cuba. In these two countries the cost of producing, harvesting, and shipping of these commodities is much less than in domestic areas because of the low standards of living in the two foreign countries where these fruits and vegetables are produced. Labor rates are only a fraction of what they are in Florida and other domestic areas. Little or no fertilizer is used. They have weather hazards in the foreign producing areas but not as great as those in the domestic areas. Yields and quality may vary from area to area, or season to season, depending largely upon weather conditions at the time.

Here is an example of what the grower in Florida faces. The average cost of producing and harvesting tomatoes in Florida ranges from $250 to $500 per acre, depending on area, season, and yield, according to official studies made by the agricultural experiment station of the University of Florida. The farm labor rate now paid in Florida is $5 to $6 per day for day work, and from that figure upward to $18 per day at piece rates for harvesting. In Mexico, where farm labor is paid 3 to 6 pesos per day, an average of 40 to 60 cents per day United States money, the cost of bringing an acre of tomatoes to harvest is about $30 per acre, plus an additional $30 if the crop is harvested. In Cuba the costs are higher than in Mexico, but it costs less than $100 to produce and harvest an acre of tomatoes. The yields in Mexico are somewhat less than in Florida, and are approximately the same as in Cuba.

The Florida growers, with the assistance of Federal, State, and county governments and by their own initiative, have vastly improved their lands by drainage, irrigation and other methods, thus making their operations much more efficient in all respects and have increased their average yield per acre through such efficiencies. Yet the Florida industry, because of the substandard living conditions in the foreign producing countries, and the vast areas of lands available to the foreign producer, faces a competitive problem which must be solved, or else it will face elimination. We cannot conceive of going much further in improving our efficiencies, initiative, etc. Large volumes of these commodities enter this Nation at a duty rate insufficient to control or seriously limit imports. Economically, the foreign producer simply plants and plants, always at such a lesser cost (about one tenth of the Florida costs in Mexico, and about one third in Cuba). Therefore, the producers in those two countries simply plant large acreages and, if the market price in the United States warrants, they harvest and ship. If not, they don't harvest at all. It is a well-established fact that domestic vegetable producers, having produced the crop, ship just as long as there is a possibility of even a salvage.

A significant feature of this whole situation is that by far the greater majority of this competition coming from Mexico and Cuba is financed, operated, and controlled by American capital. Basically, my association and the growers in Florida do not attack the privilege of these people to engage in this business; but in simple language, it resolves itself into a situation where they take every advantage of the lower costs of foreign production and harvesting to the great disadvantage and ultimate economic ruin of those engaged in the same business in the United States where higher standards of living are maintained and high taxes are paid.

It would be easy to come to the conclusion that this would benefit the American consuming public. Let me hasten to assure you that it does not work that way. These commodities are entirely perishable and do not lend themselves to storage or holding for higher markets. When the cost of handling, distribution, and retailing are added, the price difference that exists at the producing-shipping level has practically disappeared so far as the costs at the retail level are concerned. For instance, in the 1949–50 season, tomatoes sold at the shipping level

at a price of nothing or red ink up to $14 for a 30 pound lug of tomatoes, but the average retail price at that time varied only a few cents per pound; and on a monthly average rarely more than 5 cents per pound. Certainly our growers realize the necessity for the consumers of this Nation to be supplied in ample quantities and at reasonable prices. The domestic areas of this country, especially Florida, have proven that they can do this and without penalty to the consuming public. Yet for reasons of profit, we find that over 70 percent of the vegetables entering the markets of the United States from Mexico are produced, shipped, and sold by citizens of this country. Certainly this should not be done at a cost of economic ruin to the citizens in the United States.

In 1928 the growers in Florida began making a concerted effort to solve this problem. In the beginning their first effort was to obtain a prohibitive duty rate. After a few years had passed, they changed this policy to one of asking for a duty rate which would equalize the costs of foreign and domestic products, delivered to the markets of the United States. The Tariff Act of 1930 imposed a duty rate of 3 cents per pound on tomatoes and similar rates on other commodities. The imposition of these duty rates did not put Mexico or Cuba out of business. They continued to produce and ship in no lesser quantities except where due to conditions other than the duty rate imposed.

There came into being the Trade Agreements Act, which many growers and others recognized as an effort to adjust world trade conditions. We did not seriously oppose the passage of the Trade Agreements Act but rather directed our efforts to seeking some assurance that we would not get hurt in the writing of trade agreements with either Mexico or Cuba. However, in the first trade agreement with Cuba, duty rates on fresh vegetables were decreased to the lowest permitted by law.

In 1943, as a war emergency measure, the duty rate from Mexico was reduced 50 percent with the assurance given us that at the end of the emergency, the duty rate would be raised from 1.5 cents per pound to 2.25 cents per pound. Cuban producers and shippers enjoyed a 20 percent lower rate than that charged any other country. Since Mexico was being charged 1.5 cents per pound, automatically that reduced the Cuban rate to 1.2 cents per pound. Certainly this was not enough duty to be much more than a financial nuisance to them. It was definitely insufficient to curb imports.

The trade agreement with Mexico was formally ended December 31, 1950, yet this brings us no relief because, under the terms of GATT instead of the rate going back to the original rate contained in the Tariff Act of 1930, Mexico will now be charged the rate fixed under the trade agreement with Cuba, plus the margin of preference previously established.

We have made repeated appearances before various committees of Congress, the Committee for Reciprocity Information, and the United States Tariff Commission. We have contacted various officials of our Government over the years. We have repeatedly conferred with our Department of State to show that our program does not conflict with the principles of GATT.

During all the years that this problem has confronted us, we have continued to make studies of this industry, not only in our State but in the other domestic areas affected to a lesser degree than Florida, and in Mexico and Cuba as well. We came to the conclusion that our problem was not going to be solved by the mere imposition of duty rates because in order to accomplish any definite results on a tariff basis, a duty rate must be prohibitive. We fully realize that under world conditions, the effort to foster more trade between nations, to better their conditions financially, and to accomplish the adjustment of commercial and business relations, is a step toward more prosperous world conditions. Therefore, we concluded that our problem must be solved in some other manner than a simple imposition of duty rates.

The growers of this State, through the Florida Fruit and Vegetable Association, have made a story over a period of years of all factors and have compiled, we think, most complete statistical information on this subject. We became acquainted with and interviewed, on a most friendly basis, the grower and shipper groups in Cuba and the West Coast of Mexico Vegetable Association in Nogales, Ariz., which, through its membership, controls and directs to a large degree the financing and selling of more than 80 percent of the vegetables imported from Mexico. We entered into all phases of this problem and jointly with these groups arrived at an agreed-upon program. We invited the actual grower groups in Mexico to participate and they have given some consideration to the problem, but have not yet acted. The solution arrived at was a simple one. The growers and shippers in Mexico and Cuba had expanded their shipments, as had the domestic areas to

where, with the unregulated movement and with no control other than the low duty rates, the American markets were glutted by excessive shipments. The result was disastrous to many growers in both the domestic and foreign areas.

Our plan was this. Our association would recommend to the United States Government that the duty rates be further lowered to the lowest amount allowed by law and, in turn, there be imposed periodic limitation of shipments by the quota system in order that excessive shipments and market gluts would not occur. We based our quota recommendations upon what the domestic markets of the United States could absorb from period to period and at livable market levels to the producer. We proved to our satisfaction that the national markets would remain level and satisfactory to the producer, and not unreasonable to the consumer. The program was a fair one to all concerned, domestic and foreign. It was presented unofficially to officials of the Department of State. It was fully explained. It was then presented officially to the Committee for Reciprocity Information. I am advised it is now before the International Conference at Torquay, England, where a trade agreement is at present being negotiated by this country with Cuba through our Department of State. Yet while this has or is being done, we are informed that the United States Customs Service has considered the program, and because of long-established practices, has indicated that the program is unworkable. We make the flat statement that the program can be worked but we realize that it is somewhat more difficult than is the mere imposition of a duty rate. We have offered every explanation pertaining to the program and how it can be worked.

This program has been endorsed by the association in Nogales, Ariz., which represents the largest segment of competition from Mexico, and by the Association of Fruit and Vegetable Growers and Exporters of Cuba, representing as far as we know, 100 percent of the Cuban vegetable industry. Our program contained necessary features of adjustment or even escape in the event of weather disaster in Florida. This program would put both the foreign and domestic industry on a reasonably prosperous basis, at no penalty to the American consumer. We have frankly lost hope that the application of the Trade Agreements Act in its present form and under the present policies and practices of our Department of State will solve this problem. Our commodities are highly perishable and cannot be treated under the same rules and regulations as nonperishable commodities. We have asked repeatedly that this treatment be accorded us by our own Department of State and have recommended to them that such a provision be worked out. At the present time we are apparently nowhere. We believe that we have a just complaint against the inequities now being brought about by the Trade Agreements Act. However, we are not opposed to the extensions of the act. We merely ask for relief from the inequities that have been our lot.

We have been told that the wide difference between the cost of production in domestic areas and the cost of production in foreign areas is no longer a factor and that any effort to obtain relief under the so-called escape clause would be a waste of everybody's time.

Now let's go just a little further. Vast acreages in Mexico have been made available for planting in recent years by the development of irrigation projects. One such project alone has sufficient good land to produce five times the present volume of tomatoes. The same is true to a lesser degree in Cuba. With their very low production costs it is possible for growers in those countries to plant enormous acreages at small cost, gambling on the market to justify harvesting their crops. The growers—and the importers who finance most of the production—could well afford to risk $30 per acre, in view of the potential profit.

On the other hand, the Florida producer, with a production cost averaging at least $300 per acre, could not afford to take such a risk. When he has this much invested he must seek to market his crops, even at a loss, in order to recover at least a part of this substantial investment.

It may readily be seen that the Nation's markets could be kept constantly oversupplied, at ruinous prices to the producer, except during periods of very short supply.

After careful analysis of the situation by qualified economists and by our foreign competition committee, we found that the principal causes of market break-down were (1) excessive shipments and track holdings, which brought about an oversupply in some markets; (2) erratic shipments, which created periodic excesses and shortages; and (3) the existence in the foreign production areas of vast acreages of these products ready for harvest, which could be moved to market on relatively short notice.

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Our products are not sold to the ultimate consumer—they are principally marketed through distributors who purchase the commodity speculatively a week or more before it reaches the terminal market. The buyer is not going to risk his capital if the threat of excessive, erratic shipments hangs over his head. The result is a disorganized market from which no one profits, not even the consumer.

Further study indicated that the best method of overcoming this undesirable economic situation, and attaining orderly marketing of our products, was through the establishment of daily or weekly maximum import quotas. This would not permit movement of a greater supply than the United States market could normally be expected to absorb, and would assure the buyer-distributors that the imports would move to market in orderly manner.

This would not create an artificial scarcity of tomatoes in the United States market: actually the total seasonal shipments under such a program would approximate the average of their 10 highest years. It would, however, cause the foreign producing areas to adjust their plantings and shipments so that the movement would be spread over a longer period, and would eliminate the excessive daily movement so disastrous to our markets.

When the Committee for Reciprocity Information held its hearings in September the Florida, Mexican, and Cuban groups testified jointly, asking that the plan be approved by the Torquay Conference, so that it would be placed in effect in time for next season, through an amendment of the existing trade agreement with Cuba—that with Mexico having been abrogated on December 31, 1950.

Nothing, however, has been accomplished to date. We have been told that certain policies adopted at international conferences in Geneva and elsewhere will not permit the Department of State to approve such a program. On the other hand, they have admitted that it would be possible to change these policies during the present conference at Torquay to make such a program possible. We have been advised that the Cuban Government is officially sponsoring the adoption of such changes in the trade agreements policy.

However, we have been advised by persons much better acquainted with international trade policy than ourselves that the acceptance of this eminently sound and fair method of adjusting competitive relationships on an amicable basis could be expedited if the Congress would enact legislation which clearly states its belief that orderly marketing of highly perishable fruits and vegetables is desirable, and that this goal should be attained through the establishment of daily or weekly import quotas which would be calculated to maintain the price received by the American producer at the parity level.

If this policy is accepted by the Congress—as we certainly hope it will be—we want to place on record our sincere desire to have such a program administered in such a way that it would be fair to all concerned. We would recommend that the administrative agency set the quotas at a level which experience would show should return parity to the domestic producer, and that such quota be based on the average of the 10 highest years of shipments of such commodity. If the domestic supply is drastically reduced by adverse weather conditions, then the agency could temporarily remove or raise the quota, to assure that the American market will receive sufficient quantities of the product to protect the consumer from excessive prices.

In considering the quota to be fixed for each period, we recommend that a greater total volume be permitted entry on a daily basis rather than on a weekly basis, to the end that reasonable regulation of movement to the markets will take place and glutted markets and price breakdown will be prevented. In conjunction with this we would ask that the Department of State concurrently negotiate an amendment to the existing trade agreements which would lower the duty rate now imposed on the foreign shipper to the lowest allowed by law.

Finally, we would urge that the administrative agency of the United States Government consult with domestic producers and with such representatives of foreign producers as it may believe will be of assistance in the formulation and adjustment, when necessary, or mutually advantageous regulations.

In asking that imports of highly perishable fruits and vegetables be regulated under a tariff-quota system, we do so in the belief that the producers now available under law, or which are now proposed for manufactured and storable commodities are not considered adaptable to our peculiar needs.

In closing, let me say that if the Congress will amend the Trade Agreements to make possible the accomplishment of this program, affecting the highly perishable fruit and vegetable industry, both domestic and foreign, that we, in Florida, will make every effort to adjust our own planting and harvesting so that we will

not defeat the program. We hope to bring about orderly marketing of our products, but we want to do it in a manner that will not put us in the subsidy or support category at the expense of the taxpayer. We do not need or want that. We do need what we have recommended in order that we can live, prosper and be the kind of industry that has made these United States possible.

Present acreages in Florida, Cuba, and Mexico, can supply all the anticipated demands of the American market during our normal marketing season, October through May. The existing shortages of manpower, material, transportation facilities and the like make it essential that none of them be wasted on the production or marketing of commodities in such excessive quantities that they cannot be consumed, but must be thrown away, because their perishability makes their storage for future use impossible. Good citizenship and good judgment will dictate that we do our part.

Very respectfully,

L. L. CHANDLER,
Chairman, Florida Fruit and Vegetable Association.

DEPARTMENT OF STATE,
Washington, September 8, 1950.

Mr. LUTHER CHANDLER,
Florida Fruit and Vegetable Association,
29 South Court Street, Orlando, Fla.

MY DEAR MR. CHANDLER: You will recall that on June 15, 1950, you and other representatives of the Florida Fruit and Vegetable Association met with representatives of the Departments of State and Agriculture and with Members of Congress to discuss certain proposals with respect to tomatoes. The proposals have been carefully considered by officers of these Departments in connection with an examination of possible solutions to the problem described by the association.

Tomatoes have been listed among a group of products regarding which the United States will consider tariff concessions in forthcoming negotiations with other countries at Torquay, England. In connection with the determination to be made on tomatoes, further consideration will be given to your proposals by the Interdepartmental Committee on Trade Agreements after the views of all interested persons have been submitted to the Committee for Reciprocity Information in connection with the Torquay negotiations.

The Committee on Trade Agreements will not make its recommendations to the President with respect to any products listed in the Second Supplementary Notice of United States Intention To Negotiate until views and information have been received at the public hearings and analyzed in the light of all other information available. Therefore, insofar as the proposal you have presented relates to negotiations at Torquay, no decision will be made by the interdepartmental trade-agreements organization until after the public hearings have been completed.

It is my understanding that you plan to submit a brief on the subject of tomato tariff concessions to the Committee for Reciprocity Information. Mr. Burmeister, of the Department of Agriculture, has told me that, in addition, you and, perhaps others of the association would like to present to officers of this Department and of the Department of Agriculture further comments or information. Therefore, I have arranged a meeting to be held Wednesday, September 13, 1950, at 2:30 p. m. in the office of Mr. Winthrop G. Brown, Director of the Office of International Trade Policy. Mr. Brown's office is in room 500, Department of State Annex No. 7, Twenty-first and C Streets N W. If this time is agreeable to you, please wire confirmation.

Sincerely yours,

RAYMOND VERNON,
Adviser, Commercial Policy Staff.

DEPARTMENT OF STATE,
Washington, November 14, 1950.

Mr. LUTHER L. CHANDLER,
Chairman, Florida Fruit and Vegetable Association,
29 South Court St., Orlando, Fla.

DEAR MR. CHANDLER: I am quoting below, as of possible interest to you, pertinent portions of recent correspondence between Mr. George R. Martin, secretary-manager, West Coast of Mexico Vegetable Association of Nogales,

Ariz., and Mr. Winthrop G. Brown, director of this office. These letters relate to the agreements on certain vegetable items negotiated by your association, Mr. Martin's group, and the Association of Fruit and Vegetable Growers and Exporters of Cuba, which you discussed with officers of the Department during your trip to Washington, D. C., a few months ago.

The following is from a letter, dated October 12, 1950, addressed to Mr. Brown by Mr. Martin:

"Under the heading Report from Washington, the Fruit and Vegetable Review magazine of Orange, Calif., printed the following article in their October 1950 issue:

"Mexican and Cuban Imports—The Florida Fruit and Vegetable Association is behind a unique move to share the American market with competing imports of vegetables grown in Mexico and Cuba. It is attempting to arrange, through agreements, a quota system on imports, aimed especially at tomatoes.

"Discussions have been held with the West Coast of Mexico Vegetable Association of Nogales, Ariz., and with groups producing vegetables in Cuba for export to the United States. These negotiations led to tentative agreements for limiting imports from Cuba and Mexico for eastern markets. The Nogales group agreed to limit imports of Mexican tomatoes to a minimum of 45 cars in any one day. Cuban growers agreed to a limit of 84,000 lugs in any one week.

"The United States State Department, however, got wind of the negotiations and haled the negotiators to a Washington conference. The State Department officials hinted darkly at a Justice Department prosecution on charges of collusion in restraint of trade, but later admitted they couldn't make such a charge stick.

"The Cuban agreement was the result of a deal. Cuba has asked for a 50 percent reduction in the tariff on vegetables shipped to the United States. The request has been referred to the international trade conference this fall in Torquay, England. Florida growers agreed to support this request for a tariff reduction, if Cuba would back the proposal for a quota limitation.

"This article was the first notice I, or my association has had that the 'State Department officials hinted darkly at a Justice Department prosecution on charges of collusion in restraint of trade.' Newspapers and magazines are notorious for twisting facts and printing misinformation; however, because of the fact that you asked me when I was in your office on September 25, if I thought this plan to regulate the imports of Cuban and Mexican tomatoes was legal, I am wondering if there is any truth in the statement made in this magazine article to the effect that there might have been thoughts of collusion in restraint of trade.

"This article has caused consternation among our members and has been the source of some embarrassment. In the first place, as explained to you, there never was any question of limiting imports for eastern markets or for markets in any other section of the United States. You know, of course, that our association did not agree to limit imports of Mexican tomatoes to a minimum of 45 cars in any one day, as stated in the article. We agreed to submit a plan to the Mexican growers and their associations which called for a regulation of shipments to the United States, not to any one section of the United States, on a daily basis.

"I would appreciate it if you would advise me if there was any question about collusion in restraint of trade in connection with the negotiations we have had with the Florida Association, and, if so, whether such a question remains unresolved in the minds of the State Department officials."

The following is from Mr. Brown's reply, dated October 30, 1950:

"The receipt is acknowledged of your letter of October 12 regarding the agreements reached by the Florida Fruit and Vegetable Association, the Association of Fruit and Vegetable Growers and Exporters of Cuba, and your group, the West Coast of Mexico Vegetable Association of Nogales, Ariz.

"You inquire as to the Department's views on the problem of possible restraints of trade arising from these agreements. This subject was discussed in an article from the Fruit and Vegetable Review Magazine of Orange, Calif., the text of which was contained in your letter.

"The article referred to does not give an accurate description of the discussions between representatives of the Florida Fruit and Vegetable Association and officers of the Department on the problem of restraints of trade. Representatives of the Florida group made available to the Department, copies of the agreements reached with the Cuban association and with your association, and made part of their brief submitted to the Committee for Reciprocity Information. In discussing the agreements, the question was raised as to whether they had taken into account, in their own interests, any possible conflict with the antitrust laws. It

was pointed out that the primary concern of the Department was with the commercial policy aspects of the brief.

"You will appreciate that any antitrust factors which may be involved in the proposed arrangements between producer groups come within the jurisdiction of other agencies of this Government. Furthermore, any recommendations that the Trade Agreements Committee might make, as a result of the recommendations of the Florida group, would be based solely on commercial policy considerations and should not be construed as passing upon the legality of the agreements under United States antitrust laws."

The following is from a letter, dated November 3, 1950, received by Mr. Brown from Mr. Martin:

"Thank you for your letter of October 30 in reply to my letter of October 12 regarding agreements reached by the Florida Fruit and Vegetable Association with our group and the Cuban group.

"We were glad to have your statement, 'that any antitrust factors which may be involved in the proposed arrangements between producer groups come within the jurisdiction of other agencies of this Government', and that 'any recommendations that the Trade Agreements Committee might make as a result of the recommendations of the Florida group would be based solely on commercial policy considerations and should not be construed as passing upon the legality of the agreements under the United States antitrust laws'.

"I must say again that it is difficult to understand how any question of antitrust factors ever were mentioned in connection with this matter. The only agreements made were made openly, and were presented to several Government departments with recommendations that the plan be put into effect by Government agencies and not by any private individuals or organizations. Naturally, if any antitrust factors were involved, those Government agencies would simply turn the proposals down and take no action."

A copy of this letter is being sent to Mr. Martin.

Sincerely yours,

JOHN M. LEDDY,
Acting Director,
Office of International Trade Policy,

The CHAIRMAN. Mr. Lerch, will you identify yourself for the record?

STATEMENT OF JOHN G. LERCH, WOVEN WIRE NETTING INDUSTRY

Mr. LERCH. My name is John G. Lerch. I entered the Customs Service in June 1912 as private secretary to Judge Eugene G. Hay, of the United States Customs Court. I remained with him until I joined the staff of the Assistant Attorney General in charge of customs in 1920. I was the chief of a division of that staff most of the time until I resigned effective December 1926 to form the firm of Lamb and Lerch, specializing in customs law. I am the surviving partner of that firm today.

I am appearing here on my own behalf as well as representing the industrial wire cloth industry, the National Building Quarries Association, dealing chiefly in building stone, the toy industry, and the collapsible tube industry.

We filed briefs which set forth my position rather fully; so I will try not to duplicate too much of that argument.

We are here opposing any expansion of the Trade Agreements Act, as we have been since 1934. I am prompted to say that about 2,000 years ago, David, when he wrote the songs of David——

Senator KERR. You will have to revise your date if you are talking about the son of Jesse.

Mr. LERCH. Maybe I am off a few years.

Senator KERR. A few hundred years. That is all right, though. If I know you are talking about the son of Jesse, I know whom you are talking about.

Mr. LERCH. Very good. But he wrote the parable, "conceived in iniquity and born in sin." That is psalm LI.

I know of no better example or illustration of what he meant than this bill.

The CHAIRMAN. You may be as far off as you were about the date of David's birth. But that is quite all right. Go ahead.

Mr. LERCH. We all know the Psalm.

We feel, on no less authority than the Honorable James M. Beck, when this bill was first introduced in the House in 1934, that this bill is and always has been unconstitutional. I refer to that parable——

Senator MARTIN. Mr. Chairman, this witness is, of course, very familiar with things relating to tariffs and reciprocity, and so on, and he has mentioned James M. Beck.

In Pennsylvania we have always considered James M. Beck as one of the finest constitutional lawyers ever produced by this country. And I think it might be enlightening to this Committee and to the Congress if this witness, instead of getting into his formal statement, might discuss a speech that I heard James M. Beck make in the House relative to the constitutionality of delegating to the President matters relating to tariff and things of that kind.

I presume you have studied it.

Mr. LERCH. I have, Senator.

Senator MARTIN. I think if you would make some comments right at this point, it might be very helpful.

The CHAIRMAN. We have only a limited time, Senator Martin.

Mr. LERCH. I will be very brief.

Senator MARTIN. I do not think it will take much time to hit the high lights of it. When you mentioned James M. Beck, it kind of brought it to my mind.

Mr. LERCH. I do not think I need the speech. I know it.

His speech appears at Page 5357 of the Congressional Record of 1934. He called attention to the fact that these agreements were in fact treaties, and Article II, Section 2 of the Constitution requires, as we all know, ratification by the Senate of treaties.

He also called Congress' attention to the fact that only Congress has the power to levy taxes, impose duties and impose excises, as provided by article I, section 8, of the Constitution.

The Constitution in article I, section 7, also provides that all revenue-raising legislation must originate in the House.

In this bill, Congress has abnegated its power and turned it over to the Secretary of State and the President, and we have been operating under an unconstitutional law, and I say that all that has been done under it has been unconstitutional for 16 years.

We all studied when we were kids that we had a form of government divided into three different sections: Legislative, judicial——

Senator KERR. Branches, of course.

Mr. LERCH. Branches. Thank you.

And we also studied that the Constitution measured the metes and bounds that govern each one of those branches. But we were terribly fooled.

I have tried three times to litigate the constitutionality of this act, and each time it was thrown out of court. There is no way it can be litigated, and that is absolutely, according to my early training, against our form of government.

Senator TAFT. Has not the Supreme Court ever spoken on the constitutionality?

Mr. LERCH. It cannot get there, Senator Taft. I have litigated and was thrown out of the Court of Customs and Patent Appeals on the ground that they determined that there was no remedy. Congress deliberately removed the only remedy, and that is why I referred to that parable.

In the original bill, they removed, so far as any concession that was made under these agreements, the operation of section 336 and section 516 of the Tariff Act of 1930. That is the only way a domestic interest can get into court to test its constitutionality.

As I said, I have tried three times, but I have been thrown out each time. Therefore, not only did Congress pass an unconstitutional act, but they knew it, and they deliberately removed any remedy that would permit us to test it.

Senator MILLIKIN. It would be difficult for anyone in this country to claim injury, would it not?

Mr. LERCH. That is the point, Senator. The only remedy that exists for a domestic interest to litigate a tariff question is section 516.

Senator KERR. Did I understand the witness to say that Congress deliberately passed a law which they knew to be unconstitutional?

Mr. LERCH. I am stating my view, Senator.

Senator KERR. I want to be sure that I understood what you said. Is that what the witness said?

Mr. LERCH. That is what I said, Senator, I was here in 1934 when that bill was passed, and the question was asked of Senator Harrison at the time, then chairman of this committee, and on the floor of the Senate he said that we want this remedy, whether it is constitutional or not.

I heard that. I was sitting in the gallery.

Senator KERR. And that is your evidence to support your statement that Congress deliberately passed a bill which they knew to be unconstitutional?

Mr. LERCH. They knowingly passed the bill, and Senator Harrison was a very eminent lawyer.

Senator KERR. Now, are you speaking about what Senator Harrison did or the Congress did? I just want the record to show what you have stated. But you have affirmed that that was what you said.

Mr. LERCH. That is what I said.

Senator TAFT. At least, they put a provision in which seemed to be designed to prevent anybody's raising the question in court; is that not right?

Mr. LERCH. And I have tried three times, and I know it.

Senator MILLIKIN. The witness will recall that one of our Presidents during this era exhorted the Congress to pass a certain bill even though it thought it was unconstitutional. Does the witness remember that?

Mr. LERCH. I do.

Senator MILLIKIN. So there was a lot of that in the atmosphere at that time.

Mr. LERCH. And if you will read the Honorable James M. Beck's speech, that is what he predicted, and how true it has turned out to be in the last 16 years.

Senator MARTIN. Mr. Chairman, that is why I was asking this witness that, because I went in when Mr. Beck made that speech at

that particular time—I did not listen to very many speeches clear through, but it was a very important thing as far as my State was concerned—and that is why I was asking this witness to elaborate on that particular phase of it.

Mr. LERCH. So much, Mr. Chairman, for the constitutionality of the act.

We are opposed to any extension of this bill for the further reason that not at any period except for a brief period of about 6 months in 1950 have we had a normal industrial economic period that would test the effect of the reductions that have already been made. In 1937 we had a trade agreement, and before we had a chance to find the effects of the reductions that were made there, we were in production for world war.

That continued until 1940. And then after that we had a period of scarcity which kept production up, mass production. You could sell anything you had, and only in 1950, in March, did we have what would approach a normal economic period. And between March of 1950 and November of 1950, imports doubled and then came our next war and the rearmament program, so that we have not had at any time except for those 6 months a period that would test the effect of the reductions that we have already had.

Now, we contend that what we need is a respite from the trade agreement policy, so that we can find out whether or not we have been injured or benefited.

The Secretary of State is reported to have said in the papers, when he appeared over in the House, that "We probably are not going to use this authority if we get it during the life of this extension of the Trade Agreement Act."

Then why do we need it? If he is not going to use it, why don't we wait and see whether or not industry is injured here?

Senator MILLIKIN. Is the witness aware of the fact that they allowed the whole act to lapse 3 months before it was renewed the last time, and that there was serious debate in the State Department as to whether they would ask for its renewal?

Mr. LERCH. I am very well aware of that. But what we get out of Torquay may prove very different.

The amendments that were added in the House may prove of some benefit. But I doubt it. The peril points? The Tariff Commission is supposed to report in 120 days on the peril points. The Torquay list involved thousands of items for reduction. If the Tariff Commission had 10 times its staff, anything they could put out on that list in 120 days would be just a guess.

Senator MILLIKIN. I suggest to you that in connection with Annecy, they got out the peril points on some 420 items, my point being that under the normal procedure, without the peril point, they assemble the information which quickly and readily would lead to a peril point. We had testimony here that there was no difficulty in establishing those four hundred and some items that came up in connection with Annecy.

Mr. LERCH. I am aware of the fact. I have dealt with the Tariff Commission for many, many years, and they too have collected and have on tap a great fund of information. But under the peril points, they must investigate, and within 120 days report the peril point.

Senator MILLIKIN. Yes. But you see, I am merely suggesting that long prior to the recommendation of the peril point, from the very first time the public had notice that there might be further concessions, the Tariff Board machinery commences to grind on the subject matter, and the process of assembling information is under way, and even under the procedures without the peril point, the Tariff Board supplies information, good, bad, or indifferent—call it any way you want—from which a peril point is easily discernible if they pay attention.

Mr. LERCH. That is the next point I was coming to, Senator. Even though they do accurately find the peril points, under this amendment it is not binding. If they want to go below it, all the President has to do is to think up a few reasons and write a letter to Congress.

Senator MILLIKIN. Yes.

Mr. LERCH. Now, as to the escape clause——

Senator MILLIKIN. There is more potency in that than the witness might think, which accounts for the fact that we always had the tough resistance of the administration, to that which on the surface appears to be a very mild limitation.

Mr. LERCH. I admit that it would be a help. It would be something that we do not have now, and would help fill the gap there.

But on the escape clause as that is written now, before you get to the per se question of whether or not you are injured, there must be unforeseen developments; there must be imports in increased quantities, so as to threaten serious injury.

Now, who knows what "serious injury" means? It is not defined. But in the amendment, there are stipulated things that can be considered. But it would take years of litigation to decide what is meant—to define "serious injury." And I wonder whether it is capable of definition.

Senator TAFT. But any benefit is better than nothing, from your standpoint?

Mr. LERCH. We are that much ahead, Senator.

Now, coming back to section 336 and section 516, if this bill is going to be extended, we contend that those sections should be reinstated. There is no logical reason under the sun why they should not apply to trade-agreement concessions as well as they do to rates that are not reduced. And it would give to the citizen the right to test the constitutionality of this act, which we do not have today.

Senator MILLIKIN. Mr. Chairman, might I ask the witness, if it is not in his statement, that he provide the committee, or if I can make a private arrangement that he provide me, with a memo on how he believes the constitutionality of this act could be tested, the things that are necessary to do, statute-wise, to permit a test.

Mr. LERCH. I have touched on it in the briefs that I have written and left with the committee, but I would be very glad to file a brief statement on how that could be done.

Senator MILLIKIN. Thank you.

Mr. LERCH. I think, Mr. Chairman, that is all I have.

(The following information was subsequently supplied for the record:)

Senator EUGENE D. MILLIGAN,
United States Senate, Senate Office Building,
Washington 25, D. C.

DEAR SENATOR MILLIKIN: Complying with your request at the close of my testimony before the Finance Committee on Friday, March 2, 1951:

"Mr. Chairman, might I ask the witness, if it is not in his statement, that he provide the committee, or I can make a private arrangement that he provide me, with a memo on how he believes the constitutionality of this act could be tested, the things that are necessary to do, statute-wise, to permit a test."

I am making the following reply with a request that if possible it be printed in the record of the hearings of the committee at the close of my testimony.

HISTORY OF LEGISLATION

As I stated at the hearing and in the briefs I filed, there have been but two remedies in the history of our tariff legislation that would permit a domestic interest to intervene in the administration of our tariff law. One is the so-called flexible tariff provision which is now section 336 of the Tariff Act of 1930, and the other is the so-called American manufacturers' protest, now appearing as section 516 of the same act. These provisions, during their history, have at times worked to the benefit of American labor, agriculture, and industry. But in each of these provisions there is a discretionary power vested in the executive branch of our Government empowering it to permit the remedies to work or to nullify them.

Yet, had not these remedies been suspended in the Trade Agreements Act of 1934, as to all rates reduced in trade agreements, we undoubtedly would have been able before now to have litigated the constitutionality of the Trade Agreements Act.

The first act after the organization of the first Congress of the United States was a Tariff Act. While it may be claimed that this act was passed to regulate international commerce, raise revenue, and other prerogatives handed to the Congress by our Constitution, yet it cannot be denied that the primary purpose of that act and all subsequent tariff acts (except a few excursions into free trade), have been enacted to protect American labor, agriculture, and industry. It is this protection that has made this Nation the greatest industrial nation and the greatest economic power the world has ever known. Yet labor, agriculture, and industry have never had the right to contest the administration of the tariff by our executives except for the very circumscribed remedies of sections 336 and 516 which were written into our tariff in 1922.

The importer has always had the right to contest decisions of tariff administrative officers if the thought they resulted in the assessment of duties that were too high. Anomalous as it may seem, the parties for whom the tariffs have been written and who have been injured by an erroneous classification which resulted in assessing rates that were too low, have never been regarded as having any rights to the benefits of the bills, nor entitled to any redress in our courts. The remedies under sections 336 and 516 were grudgingly extended and circumscribed with limitations and conditions.

I give this historical background to show the difficulty in approaching any legislation that would give to an American interest the same right of redress in our courts in a tariff matter that he would have in the case of an injury resulting from the application of any other law passed by Congress.

In *Panama Refining Company* v. *Ryan* (293 U. S. 388), the Court stated:

"The President was not required to ascertain and proclaim the conditions prevailing in the industry which made the prohibition necessary. The Congress left the matter to the President without standard or rule, to be dealt with as he pleased. The effort by ingenious and diligent construction to supply a criterion still permits such a breadth of authorized action as essentially to commit to the President the functions or a legislature rather than those of an executive or administrative officer executing a declared legislative policy."

Again we quote from the same opinion:

"The Constitution provides that 'All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives' (art. 1, sec. 1). And the Congress is empowered 'To make all laws which shall be necessary and proper for carrying into execution' its general powers (art. 1, sec. 8, par. 18). The Congress manifestly is not permitted to abdicate, or transfer to others, the essential legislative functions with which it is thus vested. Undoubtedly legislation must often be adapted to com-

plex conditions involving a host of details with which the National Legislature cannot deal directly. The Constitution has never been regarded as denying to the Congress the necessary resources of flexibility and practicality, which will enable it to perform its function in laying down policies and establishing standards, while leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy as declared by the legislature is to apply. Without capacity to give authorizations of that sort we should have the anomaly of a legislative power which in many circumstances calling for its exertion would be but a futility. But the constant recognition of the necessity and validity of such provisions, and the wide range of administrative authority which has been developed by means of them, cannot be allowed to obscure the limitations of the authority to delegate, if our constitutional system is to be maintained."

In the case of *Hampton & Co.* v. *United States* (276 U. S. 394), a case involving much the same question of constitutionality as we have in the Trade Agreements Act of 1934, clearly sets forth how far the Congress may go and under what conditions it may delegate its power of levying duties to an agency of our Government.

"The same principle that permits Congress to exercise its rate-making power in interstate commerce by declaring the rule which shall prevail in the legislative fixing of rates, and enables it to remit to a rate-making body created in accordance with its provisions the fixing of such rates, justifies a similar provision for the fixing of customs duties on imported merchandise. If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power."

In *A. L. A. Schecter Poultry Corporation* v. *United States* (295 U. S. 495) Chief Justice Hughes, writing the opinion on the validity of the National Recovery Act, reviewed the case of *J. W. Hampton & Co.* v. *United States, supra,* and distinguished the constitutional delegation of power in the Hampton case versus the unconstitutional delegation of power in the Schecter case:

"In *J. H. Hampton, Jr. & Co.* v. *United States* (276 U. S. 394, 72 L. ed. 624, 48 S. Ct. 348) the question related to the 'flexible tariff provision' of the Tariff Act of 1922. We held that Congress had described its plan 'to secure by law the imposition of customs duties on articles of imported merchandise which should equal the difference between the cost of producing in a foreign country the articles in question and laying them down for sale in the United States, and the cost of producing and selling like or similar articles in the United States.' As the differences in cost might vary from time to time, provision was made for the investigation and determination of these differences by the executive branch so as to make 'the adjustments necessary to conform the duties to the standard underlying that policy and plan.' (id., pp. 404, 405). The Court found the same principle to be applicable in fixing customs duties as that which permitted Congress to exercise its rate-making power in interstate commerce, 'by declaring the rule which shall prevail in the legislative fixing of rates' and then remitting 'the fixing of such rates' in accordance with its provisions 'to a rate-making body.' (id, p. 409). The Court fully recognized the limitations upon the delegation of legislative power (id., pp. 408-411).

"To summarize and conclude upon this point: Section 3 of the Recovery Act is without precedent. It supplies no standards for any trade, industry, or activity. It does not undertake to prescribe rules of conduct to be applied to particular states of fact determined by appropriate administrative procedure. Instead of prescribing rules of conduct, it authorizes the making of codes to prescribe them. For that legislative undertaking, section 3 sets up no standards, aside from the statement of the general aims of rehabilitation, correction, and expansion described in section 1. In view of the scope of that broad declaration and of the nature of the few restrictions that are imposed, the discretion of the President in approving or prescribing codes, and thus enacting laws for the government of trade and industry throughout the country, is virtually unfettered. We think that the code-making authority thus conferred is an unconstitutional delegation of legislative power."

SUMMARY OF LEGISLATION

From the above history and the quotations from decisions of the Supreme Court of the United States, I feel confident in my conclusion that the authorities hold that Congress may not delegate any of its constitutional functions to an executive official or agency. Congress may, however, constitutionally delegate

to such an official or agency the power to perform certain acts, under limitations and principles set down by it, after finding the existence of the facts which would invoke the exercise of such power. But all of such acts must measure within the limitations and principles set forth in the act and there must be the right of redress in the courts of the United States by an injured party.

NECESSARY CHANGES TO BRING LEGISLATION WITHIN THE PROVISIONS OF THE CONSTITUTION

Applying the above tests to the Trade Agreements Act of 1934 with the amendments proposed in the extension bill H. R. 1612, it will be seen that drastic changes would have to be made to render it constitutional.

In the first place, there are no principles, no limitations, and there is no yardstick to govern the exercise of the power delegated to the President and the State Department.

As stated in my testimony before your committee, to me it is inconceivable that one could define "injury" or "serious injury" in a manner that would permit the Executive to make a factual finding without the exercise of discretion.

In order to eliminate this discretion and bring it within the Hampton case, supra, the premise would have to be changed and instead of injury being the yardstick, differing costs of production here and abroad would have to be substituted. Since this has been the yardstick laid down by Congress for determining the proper rate of duty, and it has been upheld by the Supreme Court of the United States, there can be no logical objection, if the Congress honestly seeks the prevention of injury to the industry, to substitute this medium. The erection of such a standard would also preclude the necessity for peril points. In addition to this there would have to be adopted a remedy such as now exists in section 336, which permits an aggrieved party to seek redress through the Tariff Commission and through our duly constituted customs courts.

If the bill were changed so as to incorporate the above suggestions and made to prescribe the conditions and limitations under which power was delegated, I think it would come within the decision of the United States Supreme Court in *Hampton* v. *United States*, and would be held to be constitutional.

Respectfully submitted.

JOHN G. LERCH,
Attorney, Lamb & Lerch, New York, N. Y.

The CHAIRMAN. If there are no further questions, we thank you for your appearance.

Mr. LERCH. Thank you.

I would like to offer these briefs for the record.

The CHAIRMAN. Very well.

Mr. LERCH. Thank you.

(The briefs of the Industrial Wire Cloth Industry, the Toy Manufacturers Association, the Collapsible Tube Industry, and Fish Nets and Netting Manufacturers are as follows:)

MARCH 1, 1951.

Re extension of the Trade Agreements Act (H. R. 1612).

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

SIR: This brief is filed in opposition to the extension of the Trade Agreements Act of 1934, as amended by the House of Representatives, H. R. 1612. The collapsible-tube and bottle-cap industry has been opposed to the trade agreement policy from its inception.

We have appeared before the Committee on Reciprocity Information each time that our product has appeared on a list of items to be negotiated but, nevertheless we have received two reductions.

The rate accorded this industry in 1930 was: undecorated 30 percent ad valorem, decorated 45 percent ad valorem. These percentages were cut to 25 and 35 percent, respectively, by the United Kingdom agreement of January 1939. They were again cut by the Geneva agreement of 1948 to 15 and 20 percent, respectively. We are again slated for a reduction at the Torquay conference.

Our appearances before the committee of Congress and the Committee on Reciprocity Information are a matter of record and we assume available to your committee. Your time would unnecessarily be taken up by repetition.

As we have pointed out in our brief before the Committee on Reciprocity Information in 1946, innumerable articles used by our Armed Forces are packed in collapsible tubes, making our product a wartime necessity.

H. R. 1612 AS AMENDED

H. R. 1612, the bill to extend the Trade Agreements Act for 3 years, now pending before this committee, was amended by the House of Representatives to cover peril points, a provision for an escape clause, a provision denying the benefits of future trade agreements to any country dominated or controlled by a Communist government, and an amendment preventing a rate reduction on a farm product that would permit a similar imported product to sell in the United States at a price below the domestic price-support level.

Of these amendments, to industry in general, the peril point and the escape clause amendments are obviously the most important.

Unless these two provisions are examined carefully they would seem to provide the necessary checks and balances to prevent injury and provide a remedy where injury occurs. A careful reading, however, would lead to a different conclusion.

Under the trade-agreement policy the benefits of any reduction in any agreement are generalized throughout the world so that all countries not specifically excepted receive the low rate named in the agreement. Under the House amendment to the pending bill, in any future agreement, any Communist country or Communist-controlled country would not receive the benefits of a concession. Is there any reason why we should extend the concessions already made to these countries who are now seeking to undermine our economy and overthrow our Government?

A like observation may be made as to the amendment governing agricultural products. Can there be any reason for the present practice of permitting agricultural products to come into this country to be sold profitably at a price less than that guaranteed by our own Government?

While the peril points and escape clause amendments would ostensibly provide checks and a remedy if injured, a careful reading of the wording of the House amendments will not prove this to be true.

PERIL POINT AMENDMENT

This amendment, as adopted by the House of Representatives, leaves to the discretion of the Tariff Commission the setting of points beyond which no reduction can be made without "seriously' injuring a domestic industry. The act contains no definition of the word "seriously" as used in the expression "seriously injured." Nor is there any definition of what constitutes "injured." This is an unprecedented authority placed in the hands of a Government agency to determine within 120 days after receipt of the list of items to be negotiated, and after "an investigation," the point beyond which no reduction should be made.

In this industry, as it must be in many other industries, it may at times be difficult to determine within 120 days accurate cost information on some types of our product. With the hundreds of items that usually appear on a list of negotiable items for a trade agreement, in the case of Torquay reputed to be thousands, we feel that if the Tariff Commission had many times its present personnel, the most that could be accomplished within the 120 days allotted would be, at best, a guess.

Under this amendment, even attributing to the Tariff Commission supernatural power, and assuming that correct peril points could be determined, they would still not be binding upon the negotiators or the President. If for any reason the negotiators went below the published peril point, all that would be necessary under the language of the act, is that the President report to Congress the reasons why he reduced the rate of duties beyond the published peril point. Under this arrangement, the industry suffers an injury and where does it go from there? The House bill would seem to indicate that we go to the escape clause.

ESCAPE CLAUSE

This amendment is supposed to provide a remedy in the case of an injury to an industry by a concession made in a trade agreement. How effective is this remedy?

Examining the wording of the amendment we find a number of conditions precedent to the actual consideration of whether or not a serious injury has been sustained by an industry. First, it must be established by an investigation by

the Tariff Commission whether there have been "unforeseen developments", in the application of the tariff concession, and whether the competitive article is being imported into the United States in "increased quantities," and under such conditions "as to cause or threaten serious injury." In determining the existence of these conditions precedent to a consideration of the merits of the case, there is broad discretion vested in the Tariff Commission. For instance, what might be termed an injury in the mind of one person or agency under certain conditions, may not be so regarded by others. Moreover, having arrived at the premise that there is an injury, whether or not it is "serious," may involve many factors in the mind of a particular individual. No definition other than specifying that which may be taken into consideration is given. Nor do we believe it is possible to define a term of this sort.

If this act is to be extended, a real remedy should be included based upon facts and mandatory upon the officials involved when a decision is arrived at.

TRADE AGREEMENTS ACT SHOULD BE ALLOWED TO EXPIRE

For 16 years this country has operated under a policy, by virtue of the Trade Agreements Act, of materially reducing, if not removing, all of our protection from ruinous foreign competition.

The Trade Agreements Act was passed in 1934 and before the results of the first reductions could be obtained from experience, World War II had commenced. We were thrown into a period of top production and later on, through our own entry into the war, into expanded mass production. When the war ended, because of a scarcity of civilian products, peak production continued and the scarcity had not been eliminated until March of 1950. At that time due to depreciation of foreign currency and the beginning of a partially adequate supply of merchandise in our market, competition started from abroad. Between March and November of 1950, over-all imports from foreign countries about doubled. Then came the Korean War. Because of the demands of rearmament, war material, and related factors, this excessive demand and abnormal economy may continue indefinitely.

When it is realized that foreign wages are from one-fourth to one-tenth of our wages, can any sane man expound the necessity for further reductions in our duty?

As we have shown, there has, with the exception of this brief period in 1950, been no period during the life of the Trade Agreements Act when a normal economy prevailed. Why can we not forget the trade-agreement policy until there is a period of normal industrial economy that will prove the benefits, or what we expect, the ruinous effect of the reductions already made?

This would seem all the more logical since it is reported that our Secretary of State, when before the Committee on Ways and Means of the House of Representatives, stated that he doubted whether any further trade agreement would be negotiated during the 3-year period that this bill would extend the act.

Nevertheless, we find our illustrious Secretary of State, appearing before your committee, not only asking for the 3-year extension of the act, but contending that the restrictions, presumably House amendments, would make the bill "unworkable." Our view is that things that within themselves are unworkable have little effect.

In the February 23, 1951, edition of the New York Times, the Secretary is quoted as saying:

"If the United States starts in the direction of restricting trade, of protectionism, of economic isolationism, or if we lead other countries to believe that is what we are going to do," he testified, "the trend (toward freeing trade) will be reversed and we will move rapidly in the direction of more restriction, more bilateralism and more discrimination in world trading conditions."

These high sounding generalities would be far more convincing to the industries of this country had the Secretary explained what he meant by "restricting trade," "protectionism," and "economic isolationism," when he must know through the 16 years operation of the Trade Agreements Act, the 1930 tariff rates in a large percentage of cases have been cut to but 25 percent of its 1930 status.

He would have more accurately given to this committee the true picture had he told the committee what all industry knows; namely, that during the 16 years of chopping away our tariff, foreign countries (even our associates in GATT) have been erecting quotas, granting subsidies, increasing duties, and adopting measures against our exports, that are so loudly extolled by some of our public officials, as the policy that will inure to the benefit of American industry and labor.

Section 336 of the Tariff Act of 1930 is the so-called Flexible Tariff Act, and if this were reinstated and allowed to function as it had prior to trade agreements;

we would need no peril points or escape clauses. Any rate could be tested by the scientific formula provided in that section and an adjustment made accordingly.

Should the Trade Agreements Act be extended, the provision suspending the application of section 336 and section 516 of the Tariff Act of 1930 should be deleted therefrom.

TRADE AGREEMENTS ACT UNCONSTITUTIONAL

In schools throughout America we are taught that we live under a Government by the people and a Constitution which defines the power and duties of all branches of our Government. It is also one of the tenets of our founding forefathers that no law could be passed by Congress taxing or abridging the rights of the individual without giving him the right of redress in our courts. But since 1934 this has not been true of American industry. The protection of American industry against foreign competition has been dissipated through the administration of a law which no less an authority on constitutional law than Hon. James M. Beck declared to be unconstitutional when he was a member of the House of Representatives during the debate on the original Trade Agreements Act (p. 1579 of the Congressional Record, 1934). In order to insure no interruption to its application, in the original Trade Agreements Act, Congress suspended the application of sections 336 and 516 of the Tariff Act of 1930 to any commodity as to which the rate of duty had been reduced by trade agreement. Although attempts have been made, it is now definitely settled that there is no way of bringing before a Federal court an action which will test the constitutionality of this act.

Regardless of what the administration has elected to call them, every agreement negotiated under this act is in fact a treaty between the United States and a foreign nation.

Our Constitution requires that treaties with foreign nations be negotiated by the President and ratified by a two-thirds vote of the Senate.

"The President * * * shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur; * * *" (art. II, sec. 2).

To date, all so-called trade agreements have been negotiated in our State Department behind closed doors and the contents have never been submitted to the Senate or to the Congress, nor have they ever been disclosed to the public, until after the agreement was consummated.

Each and every one of these actual treaties has reduced tariff rates on articles and commodities when imported into the United States. Under our Constitution the right to impose import and export restrictions is expressly reserved to the Congress as is the right to regulate interstate and foreign commerce:

"The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defenses and general welfare of the United States: * * *.

"To regulate commerce with foreign nations, and among the several States, and with the Indian tribe" (art. I, sec. 8).

Our Constitution also expressly says that all legislation which provides revenue must originate in the House of Representatives:

"All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other wills" (art. I, sec. 7).

Up until 1934, the raising and lowering of tariffs, since the very first Congress, has been recognized as revenue regislation. Yet the House of Representatives has not seen nor had an opportunity to pass upon a single one of the revenue-lowering agreements which have been negotiated and put in force. Call them what anyone will—agreements, treaties, or negotiations—the incontrovertible fact remains that they are revenue measures, United States revenue measures.

SUMMARY

1. The Trade Agreements Act should be allowed to expire because it is self-evident that in the 16 years of its operation, it has not accomplished any of the objectives for which it was enacted.

2. The act should be allowed to expire in order that we may have a period of a year or two when we may again return to normal economics within which we may test its benefits, if any, or its defects.

3. The act denies to citizens the right of judicial review of grievances and autocratic decisions which may be imposed upon them by the negotiators of the agreements.

4. The act should be allowed to expire since it is the opinion of competent lawyers that it is unconstitutional.

5. Failing outright repeal of this act, any extension thereof should (*a*) carry with it true remedies in place of the present doubtful remedies (the peril-point and escape-clause amendments), (*b*) include peril points which are mandatory upon the negotiators, and (*c*) a remedy such as the escape clause based upon sound economic facts, and which is mandatory upon the President and the negotiators. It should be a remedy based upon differing costs of production rather than the nebulous and undefinable "serious injury." (*d*) The provision suspending the operation of sections 336 and 516 of the Tariff Act of 1930 should be repealed.

Respectfully submitted.

COLLAPSIBLE TUBE MANUFACTURING INDUSTRY.
By LESTER B. PLATT.

FEBRUARY 23, 1951.

Re hearings on H. R. 1612, Extension of Trade Agreements Act.

CHAIRMAN,
Senate Finance Committee, United States Senate, Washington, D. C.

SIR: On behalf of the Toy Manufacturers of the United States of America, Inc., this brief is filed in opposition to the extension of the Trade Agreements Act, H. R. 1612, as amended, and now pending before your committee.

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. All of this is a matter of record and, we assume, available to this committee.

We have also appeared before the committee for reciprocity information whenever a product of this industry appeared on the lists of commodities to be negotiated. Nevertheless, the rate of 70 percent ad valorem accorded toys in the Tariff Act of 1930 has been variously reduced to 50 percent, 35 percent, and as low as 25 percent.

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.

The reductions we have received at the hands of the negotiators of trade agreements, we feel, should we return to a normal economy, would prove disastrous. For this and other reasons we will give, we are opposed to any extension of the Trade Agreements Act.

A RESPITE FROM TRADE AGREEMENTS IS IN ORDER

For 16 years we have operated under the trade-agreement policy, which has not yet had a chance to prove its worth.

Hardly had the first reductions been made and before their effect could be felt, a war broke out in Europe. This plunged all industries in the United States into a period of mass production for our allies and for our later participation in that war. When the war was over, everything was in short supply and the period of top production continued. To this was added the boom of rehabilitating Europe, the Marshall plan, and various other projects that served to stimulate business.

Not until the spring of 1950 when the commercial countries of Europe devalued their currency, did the influx of foreign competitive merchandise start. From about March to November 1950, over-all imports from foreign countries about doubled. Had not the Korean War just then started, we may have had a period where the reduction of our tariff rates would have shown whether this trade-agreement policy had benefited or harmed our national economy. But we are now in another period of rearmament and its stimulating effect on business may continue indefinitely. Thus, it may be literally years before we reach a normal economy which will prove the effects of the reductions already made and those that are to come out of Torquay.

With wages ranging from one-fourth to one-tenth of our wages depending on the country, it would seem patent to anyone that we cannot operate against such foreign competition with our low tariff rates.

What objection could there be on the part of the administration, or any thinking individual, to the proposition that we let the Trade Agreements Act expire, so that we may have a year or two of normal economic conditions to prove what results will come from the reductions in duty already made. This would appear to be more logical since the Secretary of State, when he appeared before the Ways and Means Committee of the House of Representatives, stated that no new agreement would be negotiated during the proposed 3-year extension.

TRADE AGREEMENTS ACT UNCONSTITUTIONAL

It has been the opinion of lawyers since the enactment of the Trade Agreements Act in 1934 that this act is unconstitutional. Among those who held that opinion was Hon. James M. Beck, former Solicitor General of the United States. On March 24, 1934, in a speech on the floor of the House of Representatives, of which he was a Member from Pennsylvania when the Trade Agreements Act was originally in debate, he delivered a well-considered opinion declaring this act to be unconstitutional (p. 1579 of the Congressional Record of 1934).

By whatever name you called them, each trade agreement has been in fact a treaty with a foreign country, and under our Constitution should have been ratified by the Senate of the United States (art. II, sec. 2).

The power to levy taxes, imposts, duties, and excises by our Constitution is limited to Congress (art. I, sec. 8).

The Trade Agreements Act permits the President and the Secretary of State to levy taxes or duties on imported merchandise and hence is in violation of this provision of the Constitution.

The Constitution also provides (art. I, sec. 7): "All bills for raising revenue shall originate in the House of Representatives * * *." The Trade Agreements Act is a revenue act and, so far as we know, no trade agreement negotiated under it has ever been referred to the House of Representatives.

H. R. 1612, AS AMENDED

Four amendments were added to the bill by the House of Representatives covering (1) imports from Communistic-controlled countries; (2) imports of agricultural products; (3) peril points, and (4) the escape clause. The two most important to our industry, peril points and the escape clause, while they may act as a deterrent and a possible remedy, we believe they are far from preventing injury to American industry.

The peril-point amendment provides for an investigation by the United States Tariff Commission on all items appearing on a list to be negotiated and a report made within 120 days. We seriously doubt, if the staff of the Tariff Commission were increased many times its present number, whether sufficient data could be assembled within 120 days upon which to reliably base a peril point.

Under this amendment when the peril points are arrived at, they are not binding upon the negotiators or the President. If the President desires to go below the peril point, all that he must do is to report his reasons to Congress. Where do we go from there?

The escape clause, by its wording, sets up as conditions precedent to relief an investigation by the Tariff Commission as to whether there have been "unforeseen developments" in the application of the tariff concession, whether the competitive article is imported into the United States in "increased quantities," and under such conditions "as to cause or threaten serious injury." These all involve discretionary power on the part of the Tariff Commission and the President. What is "serious injury" in the minds of some individuals may be a very nebulous thing. We contend that if the escape clause amendment is retained, it should be rewritten so as to have as its yardstick for measuring injury the same yardstick under which we have operated for so many years—the difference in cost of production here and abroad, as it has been defined in section 336 of the Tariff Act of 1930.

REINSTATE SECTIONS 336 AND 516 OF THE TARIFF ACT OF 1930

In the original Trade Agreements Act a provision was inserted suspending the operation of sections 336 and 516 of the Tariff Act of 1930 on all commodities as to which there had been a concession made in a trade agreement. This provision has prevented a judicial review of the constitutionality of the act. We strongly urge that if the Trade Agreements Act is extended, the provision in the act suspending their operation be repealed. Should section 336 be reinstated as to trade agreement concessions, we would need no escape clause amendment and rates could be adjusted upon an economic basis.

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SUMMARY

1. The Trade Agreements Act should be allowed to expire because it is self-evident that in the 16 years of its operation, it has not accomplished any of the objectives for which it was enacted.

2. The act should be allowed to expire in order that we may have a period of a year or two when we may again return to normal economics within which we may test its benefits or its defects.

3. The act denies to citizens the right of judicial review of grievances and autocratic decisions which may be imposed upon them by the negotiators of the agreements.

4. The act should be allowed to expire since it is the opinion of competent lawyers that it is unconstitutional.

5. Failing outright repeal of this act, any extension thereof should (*a*) include peril points which are mandatory upon the negotiators and (*b*) a remedy such as the escape clause based upon sound economic facts, and which is mandatory upon the President and the negotiators. It should be a remedy based upon differing costs of production rather than the nebulous and undefinable "serious injury."

Respectfully submitted.

HORATIO D. CLARK,
Secretary of the Toy Manufacturers of the U. S. A., Inc

FEBRUARY 1951.

Subject: Extension of the Trade Agreements Act.

CHAIRMAN, SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

DEAR SIR: The members of the Woven Wire Cloth Institute are opposed to an extension of the Trade Agreements Act in the manner here proposed and favorably acted upon by the House of Representatives.

This industry was opposed to the enactment of the trade agreements policy from its inception in 1934, and has consistently opposed its extension. It has suffered reduction in its tariff protection at the hands of the negotiators of these trade agreements which it feels, should we return to a normal economy, would prove disastrous. The industry has been constantly before the Committee on Reciprocity Information whenever one of its products was affected and given its views on the effect of a reduction of its tariff protection whenever one of its commodities appeared on a list published by the Committee on Reciprocity Information.

All of this is a matter of record and, we assume, available to this committee. Your time would unnecessarily be taken up by repetition.

More than 90 percent of the production of industrial wire cloth, throughout World War II, was classed as a necessity and assigned a top AAA rating by the War Production Board. Our 1930 tariff rate was reduced in 1939 and again in 1948 until now the rates, depending on mesh, are but 40, 50, and 60 percent of the rates in the Tariff Act of 1930. Yet industrial wire cloth appeared on the Torquay list of items to be further reduced. Believing that the facts of our industry were not available to the Committee on Reciprocity Information, or that the position of this industry to national defense was not thoroughly realized by the negotiators of tariff reductions, we filed with that committee in May 1950 a comprehensive brief fully setting forth the facts surrounding the industrial wire-cloth industry. A copy of this brief is attached hereto and marked exhibit I, for we think it our best answer to the question of why the Trade Agreements Act should not be extended.

But there are other cogent reasons why this act should not be extended which we feel we should call to your attention.

H. R. 1612 AS AMENDED

H. R. 1612 was amended in the House of Representatives by adding four so-called safeguarding amendments; two of these amendments cover "peril points" and the "escape clause." Let no one on this committee misplace his confidence in the belief that these two amendments provide an effective remedy. As to the amendments covering imports from Communist controlled countries and the agricultural amendment, we have no way of appraising their value.

PERIL POINT AMENDMENT

This amendment, as adopted by the House of Representatives, leaves to the discretion of the Tariff Commission the setting of points beyond which no reduction can be made without seriously injuring a domestic industry. The act contains no definition of the word "seriously" as used in the expression "seriously injured." Nor is there any definition of what constitutes "injured." This is an unprecedented authority placed in the hands of a Government agency to determine within 120 days after receipt of the list of items to be negotiated, and after "an investigation," the point beyond which no reduction should be made. In this industry, as it must be in many other industries, it would be very difficult for the Woven Wire Cloth Institute to determine within 120 days accurate cost information on many types of industrial wire cloth upon which could be based a peril point. With the hundreds of items which usually appear on a list of negotiable items we feel that had the Commission many times the personnel of its present staff, the most that could be accomplished within the 120 days allotted, would be a highly speculative result. Under the House amendment, the peril points when published are not binding upon the President and the negotiators. Should the negotiators desire to go beyond the published peril point, all that is required is that the President, to the Congress, give his reasons why he reduced the rate of duty beyond the published peril point.

ESCAPE CLAUSE

The escape clause adopted by the House of Representatives is supposed to be a safeguard against injury to a domestic industry. Examining the wording of that amendment, we find that before a domestic industry can invoke this so-called remedy, there must first be an investigation by the Tariff Commission as to whether there have been "unforeseen developments" in the application of the tariff concession and whether the competitive article is imported into the United States in "increased quantities" and (2) under such conditions "as to cause or threaten serious injury." "Unforeseen developments," imports in "increased quantities," and "serious injury," are all conditions precedent to the granting of relief under this amendment. This imposes upon the Tariff Commission a discretion which might readily be resolved into a conclusion that there has not been any injury while the industry is fast going into bankruptcy trying to meet the prices of competitive imports, and retain its volume. But even after the Tariff Commission's investigation, hearing, and favorable recommendation, it is still discretionary with the President as to whether or not he will restore the rate or remove in whole or in part the concession made by the Trade Agreements Act.

A RESPITE FROM TRADE AGREEMENTS IS IN ORDER

All that we have said fades into insignificance when we realize that for 16 years we have been attempting to shape the economy of this country through a tariff policy which has not yet had a chance to prove its worth.

Shortly after the enactment of the Trade Agreements Act and before any material reductions in tariff rates had been effected, a war broke out in Europe. This sent us into a mass production of merchandise for Europe and for preparation of our own entry into that war. During the war, there was a market for everything that could be produced. Since that war, by reason of the Marshall plan, rehabilitation of Europe, occupation of Germany, loans to European countries, and so forth, there was little opportunity for Europe to ship merchandise into the United States. Then came 1950 with its devaluation of foreign currencies and the decrease of the purchasing power of the United States dollar. From about March to November 1950, over-all imports from foreign countries about doubled. Had not the Korean War just then started, we may have had a period where the reduction of our tariff rates would have shown whether this trade agreement policy had benefited or harmed our national economy.

With wages abroad ranging from one fourth to one-tenth of our wages, depending on the country, it seems "assinine" to even assume that we can operate against such foreign competition with our low tariff rates. Except for this period in 1950 which was so abruptly ended by the Korean War, and our rearmament program, there has been no opportunity to appraise the benefits or defects in the trade agreements program. What objection could there be in the mind of any sound thinking individual to let this act terminate until we have a year or two of normal economic conditions to prove what results will come from the reductions in duty already made?

In his appearance before the Ways and Means Committee of the House of Representatives, the Secretary of State said in his testimony on the extension of the Trade Agreements Act that he expected no new agreements to be negotiated during the proposed 3-year extension. Why extend it?

TRADE AGREEMENTS ACT UNCONSTITUTIONAL

In the schools throughout America, we are taught that we live under a government by the people and a Constitution which defines the power and duties of all branches of our Government. It is also one of the tenets of our founding forefathers that no law could be passed by Congress taxing or abridging the rights of the individual without giving him the right of redress in our courts. But since 1934, this has not been true of American industry. The protection of American industry against foreign competition has been dissipated through the administration of a law which no less an authority on constitutional law that the Honorable James M. Beck, when he was a member of the House of Representatives during the debate on the original Trade Agreements Act, declared to be unconstitutional. Page 1579 of the Congressional Record 1934. In order to insure no interruption to its application in the original Trade Agreements Act, Congress suspended the application of sections 336 and 516 of the Tariff Act of 1930 to any commodity as to which the rate of duty had been reduced by trade agreement. Although attempts have been made, it is now definitely settled that there is no way of bringing before a Federal Court an action which will test the constitutionality of this act.

Regardless of what the administration has elected to call them, every agreement negotiated under this act is in fact a treaty between the United States and a foreign nation.

Our Constitution requires that treaties with foreign nations be negotiated by the President and ratified by a two-thirds vote of the Senate.

"The President * * * shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur; * * *" (art. II, sec. 2).

To date, all so-called trade agreements have been negotiated in our State Department behind closed doors and the contents have never been submitted to the Senate or to the Congress, nor have they ever been disclosed to the public, until after the agreement was consummated.

Each and every one of these actual treaties has reduced tariff rates on articles and commodities when imported into the United States. Under our Constitution, the right to impose import and export restrictions is expressly reserved to the Congress as is the right to regulate interstate and foreign commerce:

"The Congress shall have power to lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defense and general welfare of the United States; * * *.

* * * * * * *

"To regulate commerce with foreign nations, and among the several States, and with the Indian tribes" (art. I, sec. 8).

Our Constitution also expressly says that all legislation which provides revenue must originate in the House of Representatives:

"All bills for raising revenue shall originate in the House of Representatives but the Senate may propose or concur with amendments as on other bills" (art. I, sec. 7).

Up until 1934, the raising and lowering of tariffs, since the very first Congress, has been recognized as revenue legislation. Yet the House of Representatives has not seen nor had an opportunity to pass upon a single one of the revenue-lowering agreements which have been negotiated and put in force. Call them what anyone will—agreements, treaties, or negotiations—the incontrovertible fact remains that they are revenue measures, United States revenue measures.

SUMMARY

(1) The Trade Agreements Act should be allowed to expire because it is self-evident that the operation of that law during the past 16 years has not promoted peace.

(2) The act denies to citizens the right to judicial review of grievances and autocratic determination which may be imposed upon them by the Committee for Reciprocity Information, thus creating a political situation rather than a purely administrative responsibility.

(3) The Committee for Reciprocity Information now has the power to ruin any industry in this country without giving an injured party the right to judicial determination of the justice or economic necessity for the curtailment of his honest endeavoers to hold domestic markets against foreign competition.

(4) Whether that power has been or will ever be abused is beside the point; the fact that such power exists is sufficient warrant for its withdrawal.

(5) Failing outright appeal, this industry believes that the law should be amended in such manner that:

(*a*) No reciprocal trade agreement could be consummated without ratification by Congress, or

(*b*) No commodity could be placed on a list for negotiation until after a competent Government agency such as the United States Tariff Commission has actually and affirmatively determined beyond question of doubt that domestic costs of production would justly permit the sacrifice of any part of the protection now afforded by existing tariff rates.

(*c*) It should restore the right to litigate by removing from section 2 (a) of the act, the provisions of sections 336 and 516 (b) of the Tariff Act of 1930.

Respectfully submitted.

RALPH W. BACON, *Secretary*,
INDUSTRIAL WIRE CLOTH INSTITUTE,
74 Trinity Place, New York 6, N. Y.

BRIEF ON BEHALF OF THE INDUSTRIAL WIRE CLOTH INSTITUTE ON INDUSTRIAL WIRE CLOTH (WOVEN WIRE CLOTH) CLASSIFIED IN PARAGRAPH 318 OF THE TARIFF ACT OF 1930

Listed by the Committee for Reciprocity Information for Possible Further Tariff Reductions at Torquay, England, in September 1950 Under the General Agreements on Tariffs and Trade

To the Committee for Reciprocity Information, Washington 25, D. C.

MAY —, 1950.

BRIEF IN OPPOSITION TO THE INCLUSION OF WOVEN WIRE CLOTH, PARAGRAPH III, TARIFF ACT OF 1930, IN THE FORTHCOMING RECIPROCAL TRADE AGREEMENT NEGOTIATIONS AT TORQUAY, ENGLAND

1a. Precise interest of writer

This brief is submitted on behalf of the members of the Industrial Wire Cloth Institute of which the writer has been secretary for 17 years and has been duly delegated to make this presentation.

1b. Nature of association represented

The Industrial Wire Cloth Institute is an unincorporated, nonprofit association of industrial wire cloth manufacturers (weavers), with offices at 74 Trinity Place, New York 6, N. Y. Its membership embraces 18 of the approximately 73 power-loom weavers of industrial wire cloth in the United States.

1c. Productive capacity of the industrial wire cloth industry

There is no reliable method of measuring the productive capacity of this industry. A loom producing any given size of mesh, diameter and kind of wire, when changed over to some other mesh size, wire diameter and metal, will vary tremendously in the square footage and value of cloth it can produce. This can be seen clearly by remembering that in 20-mesh wire cloth, the shuttle travels across the loom 20 times for every lineal inch of woven cloth; in 40-mesh, that same shuttle has to travel back and forth 40 times per inch, and in 80-mesh, 80 times. Thus, on certain work, a loom will produce approximately twice as much woven cloth as it will on other grades.

In terms of value, any attempt to evaluate productive capacity leads one even farther astray. A loom handling brass wire which might cost 9 cents per square foot of woven cloth, could be put on monel, nickel, stainless steel, or even a precious metal, where the value per square foot might well be $90. Upon occasion, industrial wire cloth is woven from platinum, gold, silver, and practically every other precious metal.

To demonstrate further why no dependable measure of productive capacity can be calculated on paper, it should be remembered that industrial wire cloth is a tailor-made product. There is only a smattering of sizes and kinds which are made with sufficient frequency to be termed "regular" items. By far the greatest

volume of production is on special orders, and seldom any two of which are exactly alike.

It might be possible to count the number of looms in the industry, calculate the maximum productive capacity of each loom on the most favorable (speedily woven) mesh, size and kind of wire and add them all up for a theoretical maximum total capacity. But of what avail would that figure be when there might be little or no call ever for those particular sizes and kinds of cloth? Vary those mesh or wire sizes and kinds of metal to only a slight extent and the final answer would be entirely different; different out of all proportion to the amount of change in mesh size, wire size, and kind of metal.

Suffice it to say, therefore, that the productive capacity of the industry is sufficient, and sufficiently elastic, to take care of the demand. There is, if anything, a surplus of machinery and plant capacity rather than any shortage or pinched condition. In other words, there is no need for increased imports to take care of the United States domestic demand for industrial wire cloth. Nor would increased imports, or, for that matter, a forced increase in domestic production, result in any increased consumption of the product. A refrigerator manufacturer will buy only as much industrial wire cloth as he needs to turn out the number of refrigerators for which he can foresee a market. A gasoline refinery will buy only what it needs to take care of currently scheduled production. And the same is true of all other segments of industry where industrial wire cloth is used. Regardless of quantities available, users will buy only what they currently need. To buy against future needs would be a highly speculative venture since the slightest change in processing methods or design of their product would probably necessitate a change in the specifications for the wire cloth to be used. That is why there are, practically speaking, no stocks nor stock sizes of industrial wire cloth.

By and large, no amount of increase in the volume of industrial wire cloth, imported or domestically produced, if made available in United States markets, would increase the volume of its consumption to any extent. In no instance, in itself, is industrial wire cloth of sufficient importance to bring about increased consumption merely because there is a surplus quantity of it available in the open market.

1d. Character of the product

The Tariff Act of 1930 lumps together, in paragraph 318, wire cloth of all kinds, exclusive of Fourdrinier (paper making) wires. As a practical matter industry-wise, there is a sharp line of cleavage between industrial wire cloth and insect-wire screening—window screening for barring out flies, mosquitoes, etc. Insect wire screening, as such, is covered in a separate brief filed herewith, but in considering statistics on domestic production, it is important to remember that the two types of woven wire cloth, even though lumped together in official import statistics, are always treated separately in official export reports, in statistics compiled by the United States Bureau of the Census, and by the industry itself. All statistics and other data in this brief relate solely to industrial wire cloth, unless otherwise particularly noted, and are not inclusive of nor, in the main, do they relate to, insect wire screening.

The simplest way to define or describe industrial wire cloth is to define insect wire screening specifically by mesh and wire sizes, and then say that everything else (except Fourdrinier) is industrial wire cloth. Insect wire screening accordingly, comprises 12 by 12, 14 by 14, 16 by 16, 18 by 14, and 18 by 18 mesh sizes in 0.011-inch diameter wire for steel, commercial bronze and pure copper, and 0.013-inch diameter for aluminum screening. Federal Specification RR-C-451a carries a few additional (finer) meshes and some additional metals, such as monel and stainless steel, but the volume of those additions is insignificant and for all practical purposes, it can be considered that insect wire screening comprises the five mesh sizes and the five metals above named. Everything else is industrial wire cloth.

Industrial wire cloth is produced in upwards of 2,000 meshes and wire sizes, ranging all the way from 4-inch mesh, made of 1 inch diameter steel rod, down to 400 mesh, made of 0.001 inch phosphor bronze and monel wire. Practically every metal and alloy which is susceptible of being drawn into wire, is employed in the production of industrial wire cloth, though steel, brass, copper, phosphor bronze, monel, pure nickel, stainless steel and aluminum are the metals most commonly used.

While insect wire screening manufacturers, in some few instances, make a limited range of industrial wire cloth in light wire sizes, that product, in the main, is produced in distinctly separate plants and on radically different types of looms from those employed in the production of insect wire screening. The two types

of wire cloth are looked upon in the industry as being entirely separate and apart from each other. That, too, is the attitude of the Department of Commerce in its export reports, and the United States Bureau of the Census in its 1947 Census of Manufactures. For further comment in this connection, see paragraph 7, farther along in this brief.

2a. Character of the industrial wire cloth industry:

This is distinctly a small industry. But it is important to the national economy out of all proportion to its size. It makes a purely industrial product, 90 to 95 percent of which is sold to industrial users as a component of machines and industrial equipment, or is consumed in the processing or production of innumerable basic materials. Less than 10 percent of the 8 to 9 million dollars' worth of non-ferrous industrial wire cloth produced annually in the United States is ever sold through retail outlets, direct to the public; practically all of its goes into industry and probably not one person in a thousand knows what it is, or ever heard of it. Who knows, for example, that an aeroplane couldn't function without the few cents' worth of wire cloth that are in its engines?

The weaving of wire into a fabric or cloth bears little or no relation to the weaving of textile fabrics. True, they are both woven on looms, but wire cloth could not be woven on textile looms nor could anything but the coarsest and crudest of textiles be woven on wire cloth looms. The two types of woven material are as dissimilar in their processes of manufacture as are wheelbarrows and butter tubs. Silk weavers could not handle a loom producing fine mesh wire cloth nor could the most expert fine wire cloth weaver do anything with a silk textile loom. Due to the inherently different characteristics of cotton, silk, or rayon thread and metal weaving wire, and consequent differences in the type of loom on which they are woven, it takes the full time of one weaver to each loom for the production of fine mesh wire cloth whereas in cotton textile mills, one weaver, usually a woman, handles anywhere up to 100 and more looms.

2b. Uses of the product

Industrial wire cloth is used in filtering, conveying, and dehydrating industrial processes. It is used as a catalyst in the production of gasoline, also for straining and filtering functions in the oil industry.

It is used for grading or sizing such raw materials as mineral ores, coal, limestone, gravel, crushed stone, and cement. It is employed in the production of chemicals, abrasives, flour, salt, sugar, rice, and innumerable other basic and secondary products. It is a small, but important factor in the production of synthetic rubber and is extensively employed in the manufacture of plastics and artificial silk fabrics.

On the farm, industrial wire cloth is used in threshers, reapers, hullers, fanning mills, corn shellers and other grain harvesting, cleaning and grading equipment.

Industrial wire cloth is employed in the development of atomic energy. Millions of feet of industrial wire cloth were supplied for the Manhattan project during the late war.

2c. Location of plants

Industrial wire cloth plants are distributed over pretty much the entire country, though concentrated more or less in or near the centers of greatest industrial activity, such as the Northeastern seaboard, Middle West, and Pacific Coast States.

2d. Number of employees and character of jobs

No accurate data is available on the number of employees in the industrial wire cloth industry, but it is reliably estimated to be not over three to five thousand. The number of people employed is negligible with respect to the overall United States economy, but the type of workers and their highly specialized skill in handling their jobs are important, out of all proportion to their numbers.

It takes from two to four and more years to train a weaver of fine mesh wire cloth. There are no pools of that type of skilled labor anywhere in the country upon which to draw in emergencies, or even the ordinary course of business. Every producer of fine-mesh wire cloth is obliged to train his own weavers. The finest grades, such as 200, 300, and 400 mesh, can only be woven by men who have devoted 10, 20, and more years to the art. Weavers of 400 mesh wire cloth are rated by the United States Department of Labor as having skill equal to that of first, class toolmakers. To shut down even one loom and lose an employee of that type might mean years of training another employee before that loom could be put back into efficient production of those fine grades of wire cloth. This circumstance

is important to keep in mind in connection with the vital part industrial wire cloth plays in the successful prosecution of a war, which will be elaborated upon further along in section 8 of this brief.

2e. Quantity and value of annual output:

The 1947 Census of United States Manufactures is the only authentic source of information on this point. That shows a total valuation of $25,027,000. See paragraph 7, farther along in this brief. Of that total, the 18 members of the Industrial Wire Cloth Institute produced $16,660,387, or 66⅔ percent. In nonferrous metals, brass, bronze, nickel, stainless steel, etc., which has always comprised the bulk of importations, the 1947 Census of Manufactures shows a grand total of $8,890,000 for the industry, of which the 18 members of the Institute did $7,205,740, or 81 percent. Less than 25 percent of the industry, in numbers of plants, do 81 percent of the business.

In using industrial wire cloth, therefore, as a "bargaining" product in any reciprocal tariff negotiations, a potential United States market for only 9 million dollars' worth of goods can be reckoned on; a mere pittance in its relation to a three-and-a-half to four-billion-dollar gap between United States exports and imports.

2f. Position of the industry in national business structure:

As has already been said, industrial wire cloth occupies but a very minor position in the national business structure. The business of a wire cloth producer who operates 10, 20 or a hundred looms, is mighty important to him individually, but add them all up, and keeping in mind the fact that they are operating within a puny 9-million-dollar market, it will easily be seen that it is not an important industry dollarwise. It is important only because the really big industries need—and vitally need—its output.

2g. Domestic v. *Foreign costs of production:*

There has never been any known source through which reliable data on foreign costs of producing woven wire cloth could be obtained. It is positively known, however, that foreign-made wire cloth is offered for sale in this country at prices which are less than the United States cost of the wire and direct labor alone.

For example, in April of this year, a New York import house issued a circular in which they offered the following net selling prices, laid down in New York, in comparison with the United States direct-labor plus actual wire costs shown:

Brass wire cloth	Wire size, inches	Importer's selling price	United States cost for direct labor and metal alone
20 by 20 mesh	0.0164	$17.35	$25.50
30 by 30 mesh	.0116	17.45	29.20
40 by 40 mesh	.010	22.90	25.80
60 by 55 mesh	.0076	24.75	29.00
100 by 85 mesh	.0044	30.50	32.60

The foregoing import selling prices must of necessity include something for overhead, profit, transportation, and duties. If our domestic costs for direct labor and wire alone exceed those net import selling prices, does it make any difference what the foreign costs are? These examples demonstrate that foreign nations need no further reductions in our ad valorem rates of duty on industrial wire cloth to help them, pricewise, to sell their wire cloth in the United States.

2h. Principal competing foreign countries

Germany, Belgium, Netherlands, Canada, France, and Japan, in approximately that order of importance, have always been the principal foreign countries from which woven wire cloth comes into the United States.

3. Extent of foreign competition

The extent of foreign competition since the war is not formidable, but its impact is already being felt. When a seller enters a market with a price materially below that of his competitors, it matters little how much he is offering volumewise; his price automatically brings the whole market down to his level, or as an alternative, prompts his competitors to withdraw from that market entirely.

Under section 2g above, data on selling prices are set forth. Foreign competition, as also stated in section 2e has been encountered chiefly in the nonferrous metals, but in practically all mesh-size ranges; 30 mesh and coarser, finer than 30 to 90 mesh, and finer than 90.

The competition is not localized; it reaches into all principal United States markets for industrial wire cloth.

4a. Sources of imports

It is not believed that there would be any material change in sources of imports of woven wire cloth if the United States duties should be further reduced. Wire weaving had its origins in Germany and from there spread into nearby European countries. It is not believed that further concessions in United States duties would spur any additional foreign nations into educating themselves in the art.

It is not believed, in other words, that further reductions in United States ad valorem rates of duty on woven wire cloth would have any appreciable effect on the sources of imports. After two reductions from the old 1930 rates, there is entirely too little protection left to be looked upon as being any barrier to imports of wire cloth. Successive reductions have been as follows:

	Percent
1939 Canadian agreement reductions from 1930 rates:	
30 mesh and coarser	50
31 to 90 mesh	50
91 mesh and finer	0
1948 Geneva agreement reductions from 1939 Canadian rates:	
30 mesh and coarser	20
31 to 90 mesh	40
91 mesh and finer	40
Gross reductions to date, from 1930 rates:	
30 mesh and coarser	60
31 to 90 mesh	50
91 mesh and finer	40

If further reductions in United States ad valorem rates on industrial wire cloth could possibly influence additional foreign countries to invade our markets, that circumstance, it seems reasonable to expect, would already have had its effect. The Geneva (1948) reductions in ad valorem rates of duty on industrial wire cloth have resulted only in a further coddling of the same identical "favored" nations which profited from the 1939 Canadian agreement reductions; simply put more money in the pockets of producers in those countries without inducing a single new foreign nation to enter the United States market.

5. Domestic consumption of industrial wire cloth

Consumption of industrial wire cloth has increased along with and in almost direct ratio to the increase which has been experienced in practically all lines of United States manufactures since the war. The increase is not confined to any one group of mesh sizes nor kinds of metal. Technological advances in some directions have created new or increased uses of industrial wire cloth and in others have canceled out its use. By and large, there have probably been more new uses than drop-outs in recent years, but in no instance, have changes of that nature been spectacular. There are no trends now discernible which will change that condition. As industry in general prospers, the industrial wire cloth industry prospers, and inversely, if general manufacturing should drop off, a like decline in industrial wire cloth consumption would inevitably ensue.

6. Export markets

The export market for industrial wire cloth is, and always has been, secondary to domestic consumption; exports have never exceeded 4 to 5 percent of our total domestic production. See paragraph 8, immediately following.

7. Obscure points in Government statistics

Table 3, page 142, volume III, part 2, of Summaries of Tariff Information, issued in 1948 by the United States Tariff Commission, shows a total of $2,300,000 worth of woven wire cloth as having been exported in 1946, and $4,828,000 in 1947. Those figures, it should be kept in mind, cover industrial wire cloth and insect wire screening combined. Broken down in the same manner in which the United States Department of Commerce reports statistics on exports, they would read as follows:

Exports of woven wire cloth

	1946	1947
Industrial wire cloth	$1,927,114	$3,860,848
Insect wire screening	372,563	967,470
Total	2,299,677	4,828,318

Even as broken down above, the 1947 figures for industrial wire cloth are believed to have been inflated due to large quantities of what was technically industrial wire cloth having been exported to South America that year, but which was adapted to all the uses of insect wire screening and is believed to have been used for that purpose. It is not believed that exports of industrial wire cloth in 1947 exceeded, even if they equaled, the total for 1946, namely, $1,900,000. That promise is borne out by the United States Department of Commerce statistics for 1948 which show a total of $1,166,504 for industrial wire cloth and $3,127,975 for insect wire screening as having been exported that year. This circumstance is emphasized here in substantiation of the statement in paragraph 6 of this brief that exports of industrial wire cloth represent only 4 to 5 percent of the total domestic production of that grade of wire cloth.

Another point in the Tariff Commission 1948 presentation of tariff information on woven wire cloth, page 143, which does not "square" with the actual facts, is its statement that total domestic production in 1946 was 15.3 million dollars. There is no known source from which true figures on the production of woven wire cloth, for any year except 1947, can be obtained. For the first time in the history of the United States Bureau of the Census, in its 1947 Census of Manufactures, it separated industrial wire cloth from insect wire screening. Bulletin MC34E, table 6A, reporting on the 1947 Census of Manufactures shows, in that year, a total production of $25,027,000 for industrial wire cloth, plus $29,426,000 for insect wire screening and $2,936,000 for woven wire cloth other than industrial and insect wire screening (diamond and spiral mesh, drying belts, etc.), a gross total of $57,389,000. Still a small industry, yet one which is larger than the Tariff Commission comment might lead anyone to expect. Similar discrepancies, it is believed, would come to light for previous years in the Tariff Commission's table 3, page 142, of its 1948 report. None of this is intended in any way to cast reflection upon the Tariff Commission. No one could ever present such statistics with any assurance that they were accurate until, as stated, in 1947, for the first time, the Bureau of the Census revised its forms for picking up information pertaining to woven wire cloth.

8. Position of industrial wire cloth with respect to national security

Properly informed officials in the Armed Services and members of the National Security Resources Board, we are confident, will attest the critical essentiality of industrial wire cloth in the prosecution of a successful war.

All through the late World War II, industrial wire cloth production was assigned a top AAA rating by the War Production Board.

Without industrial wire cloth, not a single piece of motorized equipment—jeeps, trucks, tanks, and mobile field pieces—not overlooking billions of dollars' worth of airplanes—could have functioned.

Without industrial wire cloth, not a single gallon of high-octane gasoline could have been produced and not a pound of power or synthetic rubber could have been made. No blood plasma could have been administered. No portable gasoline stoves could have been provided for heating field rations.

And without industrial wire cloth, obscure as it is, and small though the industry may be, the civilian economy would grind to a slow stop. Equipment in the wheat fields would be crippled, coal would pile up at the mines, food-processing plants would have to shut down, and practically the entire chemical industry would be hamstrung if not stopped short.

As further evidence of the essentiality of industrial wire cloth, look at the record showing that no imports of woven wire cloth came into this country from Europe during 1939, 1940, 1941, 1942, and 1943. Of course, none came in; one of Hitler's first wartime actions was to clap an embargo on exports of woven wire cloth out of Germany in 1939. And Belgium and the Netherlands quickly followed suit. That shows how meticulously foreign nations prepare for war. Can we afford to be less forehanded?

These pertinent points have previously been called to the attention of the Committee for Reciprocity Information in briefs filed in opposition to cuts in tariff rates on industrial wire cloth, but to little or no avail. Cuts were made in 1939, again in 1948, and now we are faced with the threat of further cuts at Torquay, England, this coming fall. European economic conditions have minimized the effects of previous cuts, but the threat is there. American business can hardly be expected to invest money in the development of new techniques and perfection of present processes in the production of industrial wire cloth when faced with the probable loss of their United States markets to coddled and subsidized European producers. Why spend time and money training highly skilled weavers of wire cloth when the prospect is that their skills will never be employed? And if war comes and those highly skilled, expensively trained weavers are not available, can anyone rest easy in their bed at night complacently feeling that Europe will send us the industrial wire cloth we would so desperately need?

Petition

For the foregoing reasons, the industrial wire cloth manufacturing industry respectfully petitions the Committee for Reciprocity Information to omit woven wire cloth, paragraph 318, Tariff Act of 1930, from the list of products on which further possible tariff concessions will be considered at Torquay, England, in the fall of 1950, or in subsequent reciprocal trade agreement negotiations with any foreign nation or group of nations.

RALPH W. BACON,
Secretary, The Industrial Wire Cloth Institute, New York, N. Y.

The CHAIRMAN. Mr. Cenerazzo.

We are at the hour of 12, Mr. Cenerazzo. I suppose the bell will be ringing, and I do not believe we will have the time to hear you. Perhaps we will have a vote shortly.

If any of the other witnesses wish to file briefs, they may do so; otherwise they will have to be rescheduled at a later date.

A VOICE. Mr. Voorhis is testifying before the House Committee on Public Works for the St. Lawrence waterway, and he is expected to be here before you are finished. He has a statement here which can be filed with the committee.

(The following statement, in lieu of Mr. Voorhis' personal appearance, was filed for the record:)

STATEMENT OF JERRY VOORHIS, EXECUTIVE SECRETARY, COOPERATIVE LEAGUE OF THE U. S. A.

Mr. Chairman and gentlemen of the committee, my name is Jerry Voorhis, and I am executive secretary of the Cooperative League of the U. S. A., with headquarters at 343 South Dearborn Street, Chicago, Ill. The league is a business association and educational agency, whose members number about a million and three-quarters American families and consist of 13 regional and national cooperative associations and two mutual insurance companies. About three-quarters of the member families in the Cooperative League are rural people and farmers, and the other quarter are people living in cities. These figures do not include members of credit unions or rural electric cooperatives, although both their national associations are affiliated with the league. The credit union membership is nearly 6,000,000, and rural electric cooperative membership is today about 3,500,000.

The Cooperative League of the U. S. A. supports continuance of the reciprocal trade agreements program because we feel it to be a sound, sane, and sensible approach to the great problem of increasing mutually advantageous trade among the nations without serious economic dislocations within any nation. We wish to pay tribute to former Secretary of State, Cordell Hull, for the devoted leadership he gave to this program. The successful operation of the trade agreements from its inception in 1934 is one of the monuments to this great American.

If we are to encourage and increase trade and commerce between the free nations we must make it possible for the countries abroad to pay for the goods they wish to purchase from us. To enable them to do this, we must allow them to pay in goods. This means for practical purposes so arranging our trade agreements that other countries, on balance can sell to us at least as much as they buy from us.

The basic purposes of the reciprocal trade program are twofold: The first is an increase in world trade to the end that living standards in many nations, including our own, may be raised by encouraging all nations to produce to the full those things which they are best qualified by skill or natural resource to produce. The second purpose is to enable other nations to pay for what they buy from the United States in the form of goods useful to us, which they sell to us instead of permitting unpayable balances to accumulate against other nations.

As a matter of fact, we have usually thought up some devious method of removing those balances, and most of those methods have been in the nature of direct relief measures of one kind or another. Certainly, it is a sounder method to develop an exchange of goods, which will in the normal course of trade maintain a better balance than has been true in the past. This is especially important in view of the fact that the United States is now a creditor instead of a debtor Nation.

The problem of the "dollar gap" illustrates the profound recent change in America's foreign trade. Just a little over a year ago the President appointed a special committee to dig into the "dollar gap" problem. The Korean War so changed the flow of trade that within months America was buying such large quantities of supplies abroad that for the first time in over a decade we were importing more than we exported. That situation may well change again, and there must be established procedures by which we can make trade adjustments and tariff agreements to continue that flow of goods.

These are the purposes that I believe motivated the Congress to adopt the reciprocal trade program when it was first proposed by Secretary of State Cordell Hull, in the midst of the great depression. Today, however, there is an additional reason, deeper and more impelling even than the ones just mentioned. That reason is to bind more closely together the free nations of the world, by many means and methods. Our country is endeavoring to build all around the world a wall of resistance against the further spread of communism and totalitarian dictatorship.

Historically, we know that it has happened again and again that nations desiring to work together in other ways have found mutually advantageous trade to be one of the best means of developing those other relationships. It has been found that where trade and commerce were increased between two or more peoples, other sources of friction tended to be lessened and sometimes entirely eliminated.

Unfortunately, when the House of Representatives was considering extension of the Reciprocal Trade Agreements Act a few weeks ago, it attached several amendments to the program which were accepted by the House on the theory that they would provide safeguards for various economic sections of America. Unfortunately the effect of the amendments may well be to so circumscribe the program that it will be unworkable.

Successful administration of the reciprocal trade program requires that those negotiating on behalf of the United States should, in the first place, know the limits within which they can operate; that is, what concessions they can make in return for corresponding concessions by other countries. In the second place, both the negotiators for the United States and also those with whom they will be dealing for other countries will need to know that an agreement, once arrived at, can stand and will not be subject to repudiation by some other agency of either government.

The so-called escape clause amendment requires the Tariff Commission upon request of the President, upon its own motion, or upon application of any interested party, to investigate whether imports are taking place which would threaten serious injury to American producers of like or competitive products. This amendment would make it possible for any interested person to apply for an escape clause investigation and get the Tariff Commission to publish a so-called peril point which would as we understand it open up all previous concessions made in the trade agreements as well as all future possible concessions in the trade agreements program. In other words, the ability of the United States Government to enter into what is in essence a trade treaty could be abrogated on insistence of an individual or a small segment of an industry, regardless of the broader considerations involved.

We feel that it is important to provide safeguards, but the safeguards should not be at the expense of the welfare of the country as a whole.

You have had extensive testimony placed before you on the technical aspects of these amendments, so it is not necessary nor in order for us to go into any extensive consideration of them here.

The peril point amendment would, in our judgment, deprive the Trade Agreements Committee of the technical assistance of the Tariff Commission. It would

bring about extensive duplication by requiring the holding of two sets of public hearings—one before the Tariff Commission and one before the Committee for Reciprocity Information. And yet it would at the same time make the Tariff Commission sole judge of the effect of tariff reductions instead of having this action determined by the combined judgment of the other agencies involved.

In 1947 the imports of dutiable agricultural products on which tariff concessions had been granted amounted to a little less than $1 billion, that is something over $900 million. The United States exports of agricultural commodities on which other countries had given us concessions amounted to approximately $2.5 billion. These exports, therefore, were two-and-a-half times as large as the imports. The reason we as a nation can make concessions on trade in agricultural products is that we gain counterbalancing concessions from the other countries which are party to the agreements. Very careful consideration should therefore be given before adopting an amendment which would prevent imports unless the sales of that commodity when imported exceeds the domestic price support level. It has been suggested that this might result in termination of agreements where agricultural concessions represent an important consideration. If this Government were compelled to pull back a tariff concession, once granted, we would be violating the agreement. Other countries could not and would not sit idly by in the face of such action. The result might well be the termination of the entire agreement with that country.

It is a question of balancing gains against losses.

From the point of view of the welfare of American agriculture, as a whole, it is of interest to the American farmer to continue the trade agreements programs substantially as they are rather than to risk the loss of a large part of our essential markets abroad. Such a loss would tend to increase agricultural surpluses and force a drop in the United States price level for those commodities, and where that drop in price placed the commodity below the parity level, we would be faced with additional cost to the Government as well to maintain the price support levels.

For reasons which it is not necessary to go into, it certainly appears logical, as was done in the House, not to extend at the present time the benefits of this program to either the Soviet Union or to its satellite countries. And if provision is included in the legislation which will exclude these countries from participation in the reciprocal trade program, it should be done in such a way as to advance as far as possible the basic interest of the United States. By this I mean that the provision of the legislation should say that, until such and such conditions have been changed, these countries shall not participate in the program, and then the conditions should be fixed in such terms as to make clear what the objectives for a better world situation on the part of the United States actually are. These conditions can be made very important ones. They could include, for example, (1) the very logical requirement that the iron curtain be lifted and that American news-gathering agencies and commercial representatives and travelers be admitted freely behind the iron curtain before the United States will be willing to negotiate for increased trade in those areas. Again, (2) a stipulation might be made that reciprocal trade agreements will not be made with the Soviet Union or satellite countries unless and until they are ready to relax some of their rigid controls upon their own trade. Personally, I would like to see a stipulation made to the effect that (3) only when the iron curtain countries have agreed to some of the proposals advanced by our country and others for the effective control of weapons of mass destruction will we enter into reciprocal trade agreements with those nations.

To restate our position, the Cooperative League of the United States of America is sincere in its request to this committee that it recommend continuation of the reciprocal trade agreements program for the next 3-year period without amendments which would seriously cripple its administration.

The CHAIRMAN. Yes, sir. I simply wanted to know whether he might wish to file a statement, because this committee will have to recess until Monday, because we have a conferecne tomorrow on the renegotiation bill.

Mr. Cenerazzo, you will have to go over until Monday.

Senator BUTLER. Mr. Chairman, could this be understood? I have talked to the witness, and he speaks for an industry in my State which is very important to us. I am anxious to hear him. He has an appointment, I think, for Monday afternoon. But he

can be heard Monday morning. Can we assure him that he can get on pretty early Monday morning?

The CHAIRMAN. I will do my very best to get you on reasonably early. How much time would you need Monday?

Mr. CENERAZZO. It would probably be 20 minutes or 25 minutes.

The CHAIRMAN. If you are going to take too much time, we are not going to be able to hear you Monday morning.

I believe under the new rule we have to have consent. We cannot sit in the afternoon.

Mr. CENERAZZO. I will make it as brief as possible, Senator.

The CHAIRMAN. You be on hand Monday, and we will try to reach you early.

Senator BREWSTER. He had this appointment. I understand it is in Pennsylvania.

Senator MARTIN. Mr. Chairman, what he is testifying to I think is awfully important in the United States because of the precision instrument workers. We really have only about two watch concerns left in the United States, one in Pennsylvania and one in Illinois.

The CHAIRMAN. You have been before the Ways and Means Committee?

Mr. CENERAZZO. Yes, sir.

The CHAIRMAN. We have his testimony before the Ways and Means Committee.

Senator MARTIN. I hate to speak in this way, Mr. Chairman, but I do think it is awfully important to hear this man. He represents the workers; and, to my mind, it is a very critical thing as far as our defense matters are concerned, and I would like to have his testimony, because some of us may want to ask him some questions.

He does have this meeting, of course. He figured on being heard this week.

Senator TAFT. We might meet late this afternoon. Do you think the Senate will be in session all afternoon?

Senator BREWSTER. They will not give consent. We cannot meet while the Senate is in session.

The CHAIRMAN. If there is not going to be a vote, we would be safe in staying. But nobody can say whether there will be an official vote. I do not know.

Senator TAFT. The Senate will not meet late Friday afternoon.

The CHAIRMAN. I would not think so.

Senator TAFT. We might come back late this afternoon.

Senator BREWSTER. They stayed until 7:20 last night.

Senator TAFT. Yes. But that is unlikely on Friday.

Senator MILLIKIN. I suggest, Mr. Chairman, we put the gentleman on the first thing Monday morning, unless we have other commitments out.

Senator BUTLER. We have accomodated several witnesses, Mr. Chairman, by taking them out of order each day, and we are up to this gentleman now, and I think it would be only fair to assure him an early hearing Monday morning.

The CHAIRMAN. This is yesterday's list, however, Senator. That is where the trouble comes.

But we will get to you on Monday morning.

Senator TAFT. What about recessing and then hearing him right now?

The CHAIRMAN. I would be glad to, if you wish to remain at this time.

Mr. CENERAZZO. If you wish, I could remain right now.

Senator MARTIN. I have to go to the floor, personally I will leave these questions to be asked.

The CHAIRMAN. I have to go over to the floor myself. Senator Kerr said he would be willing to remain here if you wish to hear the witness now.

Senator BUTLER. I want to go over on the floor because I have an amendment.

Tne CHAIRMAN. You will have to come back Monday morning.

Mr. CENERAZZO. Monday? Thank you, sir.

The CHAIRMAN. The committee will stand in recess until 10 o'clock Monday morning.

(The following statement of the Netting Manufacturers of the United States was filed for the record:)

BRIEF OF THE NETTING MANUFACTURERS OF THE UNITED STATES

We respectfully submit this brief on behalf of the fish netting and net manufacturers of the United States in opposition to a further extension of the Trade Agreements Act of 1934.

When the bill was before the Ways and Means Committee of the House of Representatives, we filed a brief which appears in the printed record of the hearings before that committee. This record is available to your committee and for your convenience we will repeat as little as possible what we have said there.

H. R. 1612 AS AMENDED

H. R. 1612, the bill to extend the trade agreements act for 3 years, now pending before this committee, was amended by the House of Representatives to cover peril points, a provision for an escape clause, a provision denying the benefits of future trade agreements to any country dominated or controlled by a Communist government, and an amendment preventing a rate reduction on a farm product that would permit a similar imported product to sell in the United States at a price below the domestic price support level.

Of these amendments, to industry in general, the peril-point and the escape-clause amendments are obviously the most important.

Unless these two provisions are examined carefully they would seem to provide the necessary checks and balances to prevent injury and provide a remedy where injury occurs. A careful reading, however, would lead to a different conclusion.

PERIL POINT AMENDMENT

This amendment provides that the list of items to be negotiated shall be forwarded to the Tariff Commission who shall, after investigation and within 120 days, report as to each of the items, a point beyond which our negotiators cannot go without injuring a domestic industry.

In determining what rate of duty is necessary to prevent injury to a domestic industry, there must be some comparison of the landed cost with the cost of production of the domestic article. The list and supplemental lists that were issued prior to the Torquay conference by the Committee on Reciprocity Information covered literally thousands of products. Assuming that every employee making the investigation to determine the peril point was competent, it would take a staff that would flood the Pentagon Building to accurately determine the peril points involved in the Torquay list. We are told that the present staff of the United States Tariff Commission is so small that many of its activities have had to be curtailed because of lack of manpower. With this in mind, how accurate a guess will you get on peril points found under this provision?

Moreover, under this provision, assuming that the peril point is accurately determined and published, it is not binding upon the President or his negotiators. Should the negotiators desire to go beyond the published peril point all that is required is that the President give to the Congress his reasons why he reduced the rate beyond the published peril point. Then what happens to the industry?

ESCAPE CLAUSE

The escape clause adopted by the House of Representatives is supposed to be a safeguard against injury to a domestic industry. Let us examine the working of that clause. This provision sets up as conditions precedent to its application, a finding on the part of the Tariff Commission that the alleged injury occurred by "unforeseen developments" in the application of the tariff concession; whether the competing article is imported into the United States in "increased quantities"; and whether it was imported under such conditions "as to cause or threaten serious injury." After having found all of these conditions to exist, the Tariff Commission may then proceed to determine whether or not the American producer was seriously injured. It is amusing to contemplate what elements will enter into the determination of what is "injury" and what is "serious". While the amendment attempts to define what elements can be considered, it in no way defines the terms or erects a yardstick by which injury becomes serious. Such thoughts as these occur: If the imported article causes the American producer to lower his selling price to a point where his profit has shrunk, even though his volume has increased, would the Tariff Commission hold that he was seriously injured? While profit may be considered, and shrinkage in employment taken into consideration, just how far must this go to be considered a serious injury?

But even after the Tariff Commission's investigation, heaiing, and favorable recommendation, it is still discretionary with the President as to whether or not he will restore the rate or remove in whole or in part the concession made by the trade agreement.

A PERIOD OF NORMAL INDUSTRIAL ECONOMY NEEDED

We desire to call your committee's attention, as we did that of the Ways and Means Committee of the House of Representatives, to the fact that after 16 years of operation of the trade-agreement policy there has been no normal industrial period wherein the effects or the benefits of this policy could be measured.

By reason of World War II, which began shortly after the first agreement was entered into, the abnormal period of scarcity after that war, then the operation of the many alphabetical agencies that took part in the rehabilitation of Europe up until March of 1950, there had been no approach to a normal industrial market. Between March and November of 1950, imports from foreign countries about doubled. Then came the Korean war with its production stimulus and now we have the rearmament program.

What we need now is a respite from the trade-agreement policy that will permit trade to flow normally so that we might determine whether we have benefited or been hurt by the wholesale reduction of rates under the trade-agreement policy.

The Secretary of State is reported to have told the Ways and Means Committee of the House of Representatives that there would probably be no new trade agreement entered into during the 3 years that this proposed bill would be in operation. If he can be taken at his word, why does he want it and why would Congress want to give it to him?

CONSTITUTIONALITY OF TRADE AGREEMENTS ACT

We have called to the attention of the Ways and Means Committee of the House of Representatives the fact that the Trade Agreements Act violates three provisions of our Constitution:

(1) The provision which gives to the President, with the advice and consent of the Senate, the power to make treaties. (Art. II, sec. 2.)

By whatever name you may call these instruments—agreements, negotiations, or by any other name—they still remain treaties between the United States and foreign countries.

(2) Only Congress, under our Constitution, shall "have power to lay and collect taxes, duties, imposts, and excises, and to regulate commerce with foreign nations * * *." (Art. I, sec. 8.)

No one can gainsay the fact that by these agreements duties are levied.

(3) Our Constitution also expressly says that all levies that provide revenue must originate in the House of Representatives. (Art. I, sec. 7.)

Again no one can gainsay the fact that duties provide revenue, in fact before the day of the i come tax, it was our Government's greatest revenue-producing medium.

Not only do we feel that the act is unconstitutional, but we also feel that that conclusion must have been had by those who wrote the original Trade Agreements Act for in it they have inserted a provision which suspends the operation of sections 336 and 516 of the Tariff Act of 1930. By so doing they have made it impossible to test the constitutionality of this act in any Federal court.

Section 336 is the so-called Flexible Tariff Act and if this were reinstated and allowed to function as it had prior to trade agreements, we would need no peril points or escape clauses. Any rate could be tested by the scientific formula provided in that section and an adjustment made accordingly.

Should the Trade Agreements Act be extended, the provision suspending the application of section 336 and section 516 of the Tariff Act of 1930 should be deleted therefrom.

SUMMARY

1. The Trade Agreements Act should be allowed to expire because it is self-evident that in the 16 years of its operation, it has not accomplished any of the objectives for which it was enacted.

2. The act should be allowed to expire in order that we may have a period of a year or two when we may again return to normal economics within which we may test its benefits or its defects.

3. The act denies to citizens the right of judicial review of grievances and autocratic decisions which may be imposed upon them by the negotiators of the agreements.

4. The act should be allowed to expire since it is the opinion of competent lawyers that it is unconstitutional.

5. Failing outright repeal of this act, any extention thereof should (a) carry with it true remedies in place of the present doubtful remedies (the peril-point and escape-clause amendments), (b) include peril points which are mandatory upon the negotiators, and (c) a remedy such as the escape clause based upon sound economic facts, and which is mandatory upon the President and the negotiators. It should be a remedy based upon differing costs of production rather than the nebulous and undefinable "serious injury."

Respectfully submitted.

FISH NET & TWINE CO.
Jersey City, N. J.
R. J. EDERER CO.,
Chicago, Ill.
A. M. STARR NET CO.,
East Hampton, Conn.
THE LINEN THREAD CO.,
Paterson, N. J.
By JOHN G. LERCH,
Attorney, Lamb & Lerch, New York 4, N. Y.

FEBRUARY 1951.

(Thereupon at 12:10 p. m., the committee adjourned until 10 a. m., Monday, March 5, 1951.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

MONDAY, MARCH 5, 1951

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

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

Present: Senators George, Hoey, Kerr, Frear, Millikin, Taft, Butler, Brewster, and Martin.

Also present: Mrs. Elizabeth B. Springer, chief clerk, and Serge Benson, minority professional staff member.

The CHAIRMAN. The committee will come to order, please.

I will place in the record at this point the report from the Secretary of Commerce on H. R. 1612.

(The report above referred to is as follows:)

THE ASSISTANT SECRETARY OF COMMERCE,
Washington, D. C., March 2, 1951.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in further reply to your letter of February 12, asking for the comments of this Department with respect to H. R. 1612, the bill to extend the authority of the President to enter into trade agreements.

The purpose of this legislation and the policies and procedures that have been followed in its administration are well known to your committee and consequently need not be discussed in detail. The disturbed conditions of international life make it unlikely that great use can be made of this authority over the next few years. It is, nevertheless, important that the legislation be kept alive as a symbol of the desire of the United States to cooperate with the rest of the free world in the progressive relaxation of tariff and trade barriers.

In the form in which this legislation is now before your committee, it contains four amendments added by the House of Representatives, which would materially alter the trade-agreements program both procedurally and substantively. It may be desirable that I comment briefly on these proposed amendments.

Two of the amendments contained in sections 3, 4, 5, and 7 of the bill are procedural in character. Sections 3, 4, and 5 would restore the peril-point procedure which was in effect from 1947 to 1949, while section 7 would give a statutory basis to the escape clause procedure which is now based on an Executive order of the President and would apply more specific standards to escape clause proceedings than are now followed by the Tariff Commission which conducts escape clause investigations.

In my opinion, both of these amendments are unnecessary as I advised this committee 2 years ago when the present legislation was under consideration. I feel that the procedural safeguards now followed are adequate to protect the interests of American industry, labor, and agriculture. The experience of the last 2 years has increased my conviction that the Trade Agreements Act is now administered in the interests of our domestic economy and that further procedural safeguards are unnecessary.

However, I recognize that there is a widespread feeling that some form of peril-point procedure should be written into the act and that the escape-clause pro-

cedure should be statutory rather than the result of executive action. If that view should prevail in the Congress, amendments could be drafted on these two procedural matters which would meet the views of the sponsors of the amendments and at the same time avoid the difficulties inherent in administering the amendments in their present form. I understand that if the committee so desires, the representatives of the State Department will be prepared to discuss such redrafted amendments with you.

Section 6 of the bill is substantive in character and would require the President to prevent the application of reduced tariffs in any newly negotiated agreements to imports from the U. S. S. R. and to any nation which is a member of the Soviet bloc as determined by the President. I share the desire of the Congress to control our trade relations with the Soviet block in such a way as to prevent the building up of its war-making potential. My record in the administration of the export control law makes it clear, I believe, that I have been in the forefront of those who would deny to the Soviet bloc any materials which could in any way be of strategic advantage to that area. Nevertheless, I doubt the wisdom of the proposed amendment. I have never been convinced that imports from the Soviet bloc into this country substantially aid in the building up of the war-making potential of that bloc. In any event, it is clear, I believe, that an increase in tariffs is not the way to reduce imports from areas whose production and trade are government-dominated. Price considerations do not determine the volume in which imports originating in Soviet-dominated areas enter into this country. The volume is determined by government fiat.

In these circumstances, the amendment would call upon the President to violate a number of existing agreements without substantially contributing to the security of the United States. Such action would, I believe, prove of enormous propaganda advantage to the Soviet bloc without any countervailing advantage to the free peoples of the world.

Section 8 of the bill would deny the application of tariff concessions to any agricultural commodity for which price support is available, unless the sales price, as determined from time to time by the Secretary of Argiculture, is in excess of the level of price support.

It is my understanding that the Secretary of Agriculture will appear before your committee to testify as to the effects of this amendment on American agriculture. Accordingly, I should like to confine my comments to an expression of concern as to the workability of any such amendment. This amendment would make uncertain the application of any previously granted concessions in the agricultural field or any which may hereafter be negotiated. It would require that the President either violate existing agreements or renegotiate every agreement which grants concessions on competitive agricultural products. Renegotiation would, of course, result in the withdrawal of concessions by other countries by way of compensation. The net effect would, therefore, be substantially to reduce the coverage of the trade agreements program; to hamper American industry and agriculture in their desire to export abroad; and to make it more difficult to negotiate satisfactory agreements in the future. For these reasons, I cannot support the proposed amendment.

In view of the considerations set forth in this letter, may I urge favorable consideration of the legislation without amendments which would substantially affect the scope of the program or the procedures for its administration.

Sincerely yours,

CHARLES SAWYER,
Secretary of Commerce.

The CHAIRMAN. Mr. Cenerazzo is the first witness this morning. Will you come around please. Have a seat, sir. You are representing the American Watch Workers Union here?

Mr. CENERAZZO. That is correct, sir.

The CHAIRMAN. All right, we will be very lgad to hear from you.

STATEMENT OF WALTER W. CENERAZZO, NATIONAL PRESIDENT, AMERICAN WATCH WORKERS UNION

Mr. CENERAZZO. Senator George, before I start my presentation, sir, I want to express my appreciation to you as chairman for the subcommittee you appointed last year to go into the question of

what happened to the industry, and out of that subcommittee came the escape clause which we now are making a petition under, and I want to thank you for your fairness in doing it, sir, because it involved so many people.

The CHAIRMAN. I thought the escape clause ought to have been put into this agreement. I was very happy when they did it. I do not know how much good it may do you.

Mr. CENERAZZO. I appreciate the effort that you made.

The CHAIRMAN. You are quite welcome.

Mr. CENERAZZO. Two years ago when I appeared before this committee, I presented to you the situation as it then existed in the American jeweled watch industry. Since that time the situation has deteriorated to a greater extent and to such an extent that I doubt if there will be a single company in existence 2 years from today whose sales will be composed only of jeweled watch movements manufactured exclusively in the United States.

You ask, why do I say this? There are in existence today only three companies whose product has been exclusively manufactured in the United States, and one of these three companies has not produced a single watch movement in its entirety for over a year due to the company being in reorganization in the Federal court under chapter 10—this company is the Waltham Watch Co. Second company, the Elgin National Watch Co., has purchased a wholly owned subsidiary—the Wadsworth Watch Case Co. of Dayton, Ky.—and has announced that Wadsworth will become a Swiss watch importer of watch movements which will retail in the price field of $20 to $30. The third company, the Hamilton Watch Co., is the only one left today, which is presently actively producing watch movements wholly manufactured in this country without any import ties—as yet.

At this point I would like to say that one of the representatives of the importers here on Friday said that she felt that her company was a domestic manufacturer. Now I think before we can say how many jeweled watch movement manufacturers we have in the United States, we have to define what a manufacturer is. A domestic manufacturer must have an organization capable of designing, engineering, and producing a complete jeweled watch movement exclusive, of course, of jewels which are all imported from Switzerland. For national defense purposes the engineering, design, and production are almost equally important.

There are three companies which we know meet this definition, Hamilton, Elgin, and Waltham. In addition Bulova Watch Co., the largest importer of Swiss watches, has facilities at Woodside, Long Island, for production of watches.

In response to a request by Senator Kerr during the excise tax hearings, some figures representing production of this plant were presented by Arde Bulova to this committee last year and are in the record. We have no way of knowing whether all of the parts for the watches coming out of this plant are made in this country or whether they are imported, but we do know the production figures per man in Switzerland, we know what the production figures are here for Elgin, Hamilton, and Waltham, and we do know the volume of sales of Bulova, and it would be a practical impossibility to get the number of movements with the number of persons employed to have them wholly

manufactured in this country, because of the number of men that are employed by Bulova.

The number of people employed by Bulova is known, and we know what the capacity is for that number of employees, and it is impossible to produce the number of movements which were put into the record here as the domestic manufacture of Bulova entirely in one plant, with that number of employees, if you check the production records in Switzerland and you check the production records of Elgin, Hamilton, or Waltham.

Senator MILLIKIN. How many watch plants in this country are making watch parts?

Mr. CENERAZZO. Actually making watch parts? You mean all the watch parts so that you can assemble the watch, put it together?

Senator MILLIKIN. How many plants in the country are making all the parts?

Mr. CENERAZZO. Elgin, with the exception of jewels, and they have the know-how. Hamilton makes all of the parts of the watches with the exception of jewels, but is competent and capable of making jewels. Waltham makes all of the parts of the watch and can make jewels.

The CHAIRMAN. You say all the jewels are imported?

Mr. CENERAZZO. All the jewels are imported. An interesting thing about that, Senator, during the last war when Switzerland was completely surrounded by the Axis, the jewels that were needed, for military and airplane instruments were a critical problem. Large quantities of jewel bearings were requisitioned from the stockpile which Elgin, Hamilton, and Waltham had on hand. Where possible they were altered for use in airplane instruments that were so scarce that planes were being kept on the ground. Later, Elgin, Hamilton, and a few other companies went into the manufacture of jewels.

The CHAIRMAN. Now Waltham is in Massachusetts?

Mr. CENERAZZO. Waltham is in Massachusetts.

The CHAIRMAN. Hamilton is located where?

Mr. CENERAZZO. In Lancaster, Pa., and Elgin is located in Elgin, Ill., and Lincoln, Nebr.

The CHAIRMAN. It has two places?

Mr. CENERAZZO. Two places. It now has a third plant in Dayton, Ky., which is a wholly owned subsidiary of the company which makes watch cases and compacts.

It is interesting to note on this jewel thing that they started manufacturing at Elgin, the average unit cost was about $1 a jewel. They could be imported from Switzerland for 3 to 7 cents prior to the blockade, and Elgin in a period of less than a year, and Hamilton and Byrd reduced that unit cost down to 21 cents, and they were getting somewhere, but immediately upon our going in and freeing occupied France and breaking the blockade, every single employee that was employed on the production of jewels in the United States was laid off that type of work and the work was abandoned. But, to illustrate how important this was to the national defense, we were willing to pay a dollar apiece for them to get them started and went down to 21 cents, and now today they are being brought in for somewhere between 4 to about 9 cents apiece, depending upon the size and the quality.

It is a very important thing to our defense, in my opinion, but, of course, you cannot hope to compete. The minimum wage in our country for a girl in a watch factory, the minimum in any plant is about $1.07 an hour, that is a girl that is qualified on production, and in Switzerland it will run anywhere from 14 to 17 cents an hour for beginners on up to about 39 cents an hour.

Senator FREAR. Do the girls in this country make as many per hour as the girls in Switzerland?

Mr. CENERAZZO. It is all a question of hand work and machinery. We have the same machinery that they have there. It is just a question of output.

The output of a machine is so many per hour and the girl is supervising it, and, of course, if you pay a girl $1 an hour and the output of the machine is 100 an hour, the unit cost is 1 cent apiece. In Switzerland the same machine is being run and the girl puts out 100 an hour and you are paying her 39 cents a hundred.

Senator FREAR. In your opinion, the whole difference is in the labor?

Mr. CENERAZZO. Absolutely, labor cost. I am convinced of that from my trip to Switzerland in 1949. I am convinced that is the only basic differential between our industry and theirs, other than, of course, the cartel arrangement they have in Switzerland.

Senator BUTLER. Is there any stockpiling of jewels?

Mr. CENERAZZO. There is by the companies for self-preservation. They always have to keep a supply in advance. There is one danger in stockpiling jewels. If you change models, you have to completely redesign your jewels, and those jewels are worthless except for replacement purposes.

Senator MILLIKIN. Now we have got three companies making all of the parts except the jewels?

Mr. CENERAZZO. That is right.

Senator MILLIKIN. Elgin, Waltham, and Hamilton?

Mr. CENERAZZO. That is right. Bulova has some facilities, how complete is not known.

Senator MILLIKIN. What companies in this country make some parts that do not make all of the parts?

Mr. CENERAZZO. The Gruen Watch Co. has some plate machinery, plate-making machinery, in their plant which they have started, and it would be very interesting here, if I might at this point——

Senator MILLIKIN. Where did they start that plant?

Mr. CENERAZZO. In Norwood, Ohio.

Senator MILLIKIN. Is that where their other plant is down there?

Mr. CENERAZZO. That is right.

Senator MILLIKIN. Now are there any other plants?

Mr. CENERAZZO. Benrus Watch has strictly an assembly plant. Longines in New York is strictly an assembly, and Bulova, as I explained before.

Senator MILLIKIN. The Gruen is the only one in addition to the three that make all of their parts?

Mr. CENERAZZO. That is right, Elgin, Hamilton, and Waltham, but you see, Mr. Katz of Gruen has always contended that because he makes some parts here, that he is a manufacturer. His position is if you just take the movement and you insert it into the case, that you are a manufacturer. Well, of course that is a far cry. It is like

importing a bottle and making the cap and putting the cap on the bottle. You are not a manufacturer of bottle and cap. You are just a manufacturer of the cap.

Senator MILLIKIN. The reason I asked these questions is you will remember on Friday or Saturday as we were leaving the room a lady gave the impression that it was not quite correct to say that only those three companies make parts, and I assume that she had in mind those parts that Gruen makes to which you have just referred, but that tells the complete story so far as the domestic manufacture of watch parts is concerned, is that correct?

Mr. CENERAZZO. This Gruen Watch Co. is not a domestic movement manufacturer. It is an importer of Swiss movements.

Senator MILLIKIN. I understand that. Did you not just say they make some parts?

Mr. CENERAZZO. Yes; but I would like to explain that.

Senator MILLIKIN. Let me ask the question again. You have given now a complete picture of the parts manufacturers of this country.

Mr. CENERAZZO. That is correct.

Senator MILLIKIN. Thank you.

Mr. CENERAZZO. Now Gruen would like to be a domestic manufacturer because it recognizes the danger of being dependent upon its European sources of supply. Ever since the last war Mr. Katz, president of Gruen, has been saying he was going to be a domestic producer, and now he claims to be making some parts for movements in Cincinnati, but Gruen cannot be a domestic manufacturer because the Swiss cartel will not let him.

He is operating his Cincinnati plant by permission of the Swiss cartel under an agreement made with them in January 1943. Under this agreement Gruen agreed to buy at least 300,000 Swiss movements per year and not to manufacture in the United States more than 20 percent of the number bought in Switzerland. In addition Gruen was prohibited from getting any help or assistance from its Swiss company.

Last September Gruen of Switzerland was fined 2,000 francs by a Swiss court for advising Gruen at its American plant. I would like to read a paragraph from the opinion of that arbitration court into the record:

In 1941 the Federal Council authorized during the Council's good pleasure, the exportation of manufactured separate pieces to Gruen-Cincinnati and charged the watch organizations with fixing the conditions of this authorization. In execution of this mandate they executed a contract on January 11, 1943, with the two Gruen enterprises which was founded——

Senator MILLIKIN. That is a Swiss court?

Mr. CENERAZZO. Swiss court, yes—

was founded on the following principles: Gruen-Cincinnati obligated itself to buy in Switzerland, i. e., from Gruen-Bienne, a minimum of 300,000 units of finished products (watches and movements) and not to manufacture in the United States a number of watches and movements exceeding 20 percent of the quantity purchased in Switzerland. On the other hand, it could procure in Switzerland all the manufactured separate pieces of the ebauches and of the movements destined for the watches it was authorized to manufacture itself. This manufacture met great difficulties from the beginning, and consequently Mr. Thiebaud, director of Gruen-Bienne, at the request of Mr. Katz, traveled twice to Cincinnati, in 1949 and 1950, in order to assist in the reorganization of the watch manufacturing of Gruen-Cincinnati and to give it the final touches. Gruen-Bienne has thus granted Gruen-Cincinnati aid, which is prohibited by article 20 cc.

This is from a court of arbitration of the Collective Convention of the Swiss Watch Industry of April 1, 1949, and is a session of September 21, 1950.

Senator MILLIKIN. Then what happened, somebody was fined?

Mr. CENERAZZO. He was fined two thousand francs.

Senator MILLIKIN. Who?

Mr. CENERAZZO. The director of the Board of Directors of Gruen-Bienne in Switzerland, who is also a vice president of Gruen-Cincinnati.

Senator MILLIKIN. He was fined for making that agreement?

Mr. CENERAZZO. No. He was fined for violating the agreement and coming here and showing them know-how here. In other words, under this cartel, that is, in Switzerland, they are prohibited from teaching anybody over here or anywhere else how to make watches. The idea is to try to keep the industry in Switzerland.

I would like to include this all in the record, if I may.

The CHAIRMAN. Yes, you may do so.

(The document above referred to follows:)

[Translation]

COURT OF ARBITRATION OF THE COLLECTIVE CONVENTION OF THE SWISS WATCH INDUSTRY OF APRIL 1, 1949

(Session of September 21, 1950)

Chairman: Max Henry, Cantonal Judge at Neuchatal.
Professional Judges: Dr. E. W. Witrich, Cantonal Judge at Seleure
J. Jobin-Anklin, Former Judge of Appeal at Saignelégier
Industrial Judges: Henri Schaeren, Industrialist at Bienne
Louis Girardin, Industrialist at Bienne
Court Clerk: E. Bianchi, Secretary at Bienne

JUDGMENT

in the case of

The Swiss Confederation of Watch Manufacturers' Associations (FH) Union o Branches Annexed to the Watch Industry (UBAH), Ebauches S. A. v. *Gruen Watch Manufacturing Company, S. A., Watch Manufactory at Bienne*

I

A. The Gruen Watch Manufacturing Company S. A., watch manufactory at Bienne, is a member of the Bernese Cantonal Association of Watch Manufacturers, which is one of the sections of the FH. In this capacity it has signed the Collective Convention of the Swiss watch industry, hereinafter called C. C. of April 1, 1949, as it had already signed the preceding conventions.

By means of a demand of July 18, 1950, the associations bound by the Collective Convention, i. e., the Swiss Federation of Watch Manufacturers Associations (FH), the Union of Branches Annexed to the Watch Industry (UBAH), Ebauches S. A., have filed against it the present action by which they request of the Court of Arbitration to:

1. Condemn the Watch Manufactury Gruen at Bienne to pay to the FH, UBAH and Ebauches S. A. the sum of SF5,000 (five thousand francs) or whatever sum shall be found just, as fine for infraction of the convention, with interest of 5 percent per annum from the day of judgment.
2. Order the publication of a summary of the judgment in the bulletins of the FH and the UBAH at the cost of the defendant.
3. Impose all costs of the procedure on the defendant.

Substantiating these conclusions the plaintifs state the following:

There is at Cincinnati (USA) an enterprise also bearing the name of Gruen Watch Company. This enterprise is legally independent of the one in Bienne, but there exist economic and factual ties between the two enterprises. The capital of Gruen-Bienne, amounting to 1 million, is held 98.5 percent by Gruen-Cincinnati. The latter is directed by Mr. Benjamin S. Katz and the enterprise

at Bienne by Mr. Henri Thiéband, who is also a member of the board of directors of Gruen-Cincinnati, in which he is thus financially interested. In 1941 the Federal Council authorized during the Council's good pleasure, the exportation of manufactured separate pieces to Gruen-Cincinnati and charged the watch organizations with fixing the conditions of this authorization. In execution of this mandate they executed a contract on January 11, 1943, with the two Gruen enterprises which was founded on the following principles: Gruen-Cincinnati obligated itself to buy in Switzerland, i. e., from Gruen-Bienne, a minimum of 300,000 units of finished products (watches and movements) and not to manufacture in the United States a number of watches and movements exceeding 20 percent of the quantity purchased in Switzerland. On the other hand, it could procure in Switzerland all the manufactured separate pieces of the ebauches and of the movements destined for the watches it was authorized to manufacture itself. This manufacturer met great difficulties from the beginning, and consequently Mr. Thiéband, director of Gruen-Bienne, at the request of Mr. Katz, travelled twice to Cincinnati, in 1949 and 1950, in order to assist in the reorganization of the watch manufacturing of Gruen-Cincinnati and to give it the final touches. Gruen-Bienne has thus granted Gruen-Cincinnati aid, which is prohibited by Article 20 cc.

In its answer of September 15, 1950, the Gruen Watch Manufacturing Company S. A. has proposed the rejection of this demand.

It holds that the two Gruen enterprises (of Bienne and of Cincinnati) are not totally independent of each other since 98.5 percent of the capital of Gruen-Bienne is held by the parent enterprise of Cincinnati. Close economic relations exist between them which the conventional organizations recognized when signing the convention (sic) of January 11, 1943. Mr. Thiébaud, Chairman of the board of directors of Gruen-Bienne, is vice president of Gruen-Cincinnati, and in that capacity he receives a salary. If it is correct that he traveled twice to Cincinnati in February 1949 and in January 1950, he did not go to reorganize the production of Gruen-Cincinnati and to give it the finishing touches, for, that enterprise, having qualified technical collaborators, was able to do that with its own means. It is true that during his sojourn at Cincinnati Mr. Thiébaud discussed with Mr. Katz topics of interest to their enterprises, and in particular, questions regarding the execution of the convention of January 11, 1943. One cannot prohibit Mr. Thiébaud, by invoking the collective convention, from holding his two positions with Gruen-Bienne and Gruen-Cincinnati and from exercising the functions demanded by the formally recognized close collaboration which exists between the parent company and the dependent company. The provisions of Articles 20 and 21 of the CC of 1941 and 1949 are intended to prevent the emigration of the Swiss watch industry, but the conditions precedent to April 1, 1936, have been explicitly reserved. Thus, at the moment when the 1941 collective convention took effect, in view of long existing conditions, the maintenance of permanent, close legal and economic relations between the two Gruen enterprises was a condition precedent (situations acquises). The convention of January 11, 1943, cannot reasonably be interpreted and applied to the effect that parent company and dependent company should act as if they were complete strangers to each other. Whatever Gruen-Bienne or its president Mr. Thiébaud has communicated to Gruen-Cincinnati was therefore within the framework of a loyal execution of the convention and consequently was not prohibited.

B. During the audience of this day the Court of Arbitration has heard the parties, i. e., Mr. Henri Rivier, Chief Secretary for legal matters of the Délégations Móunies, in the name of the Plaintiff organizations; Mr. Henri Thiébaud, President of the board of directors of the defendant's company, in the name thereof, after which they have rendered the following judgment:

II

Article 20 c. c. establishes the principle that the signatories of the collective convention are only permitted to do conventional business and are obligated to abstain from all relations with nonconventional or foreign enterprises. They are prohibited to take interest in any form whatsoever in these enterprises and even to grant them aid of any kind; paragraph 5 defines "aid to noncontractual or foreign enterprises" specifically as "to create, advise, direct, represent them".

The plaintiffs held that Gruen-Bienne—a conventional enterprise—aids Gruen-Cincinnati—a nonconventional and foreign enterprise—in as much as the president of its board of directors, Mr. Henri Thiébaud, is at the same time the vice-president of Gruen-Cincinnati.

This allegation cannot seriously be contested: If Mr. Henri Thiebaud is a member of the board of directors of Gruen Cincinnati from which he draws a salary, it is evidently to administer, and in any case to advise, it. It is therefore not

wrong to say that through the intermediary of Mr. Thiebaud, in the sense o, Article 20, paragraph 6, c. c., Gruen-Bienne "aids" Gruen-Cincinnati, which is contrary to Article 20, paragraph 5 c. c.

The defendant does not contest this but endeavors to justify its attitude on different grounds, the one of conditions precedent (situations acquises). It pretends that the Federal Council knew in 1941 that a community of interests existed between the two enterprises, Gruen-Bienne and Gruen-Cincinnati, and that the watch organizations were also aware of it when they entered the convention of 1943 with them. This convention has thus sanctioned a state of affairs which was then and which still is considered compatible with the provisions of the conventional regime. This point of view, however, cannot be approved. Undoubtedly the watch organizations in 1943 did not ignore the fact that the two Gruen enterprises were intimately allied and formed a community of interests. They did not intend however to create a privileged situation for Gruen-Bienne by permitting it to act freely in favor of the foreign enterprise upon which it depends and which is not a member of the convention. They were, on the contrary, well aware of the risk such a delicate situation presented and that is why they carefully specified and limited the deresations of the c. c. granted to the Gruen enterprise. The idea which governed the elaboration of the convention of 1943 was that each of the two enterprises should work on its own terrain and with its own means, but that they could, as an exception, carry out certain transactions which are generally prohibited. Gruen-Cincinnati could purchase from Gruen-Bienne separate parts destined for the manufacture of a certain quantity of watches in America, but it could not solicit its aid for the manufacture of these watches and even less for its other watch products.

It is, therefore, incontestable that Gruen-Bienne, by giving the 1943 convention an extensive meaning which it did not have, has gone beyond the limits of the authorization contained in this convention and has infringed upon its conventional obligations. The visible evidence of this infraction is undoubtedly Mr. Henri Thiébaud's membership on the board of directors of Gruen-Cincinnati and his activity in the service of that enterprise. But it is clear that his resignation—which is ordered—will not suffice and that it will be necessary that Gruen-Bienne suffer all the consequences of the present decision by submitting itself resolutely and with good faith, exclusively to the terms of the Swiss conventional regime by maintaining with Gruen-Cincinnati only the relations normal between supplier and purchaser. Such a requirement does not go beyond what may be reasonably demanded of an enterprise which carries out its activity in Switzerland where it benefits from privileges reserved to manufacturing members of the convention. The community of interests which exists between the two enterprises will not disappear completely but will be limited to financial planning and not overlap on to the terrain of economic and industrial cooperation.

For this infraction the plaintiffs requested a conventional fine of 5,000 Swiss francs. This fine is due (in principle) by application of Article 84 c. c., but the amount must be reduced to 2,000 francs, in order to take into account the good faith of the defendant which believed itself to be authorized to act as it did.

A summary of the present judgment will be published for information. Therefore the Court of Arbitration:

I. Condemns Gruen Watch Manufacturing Company S. A. at Bienne to pay to the FH, UBAH, and Ebauches S. A., joint creditors, the sum of 2,000 francs with 5 percent interest as of this day.

II. Orders the publication of a summary of the present judgment in the bulletin of the FH and of the UBAH at the cost of the defendant but without mentioning its name.

III. Imposes on the defendant the cost of this case, amounting to SF 261.10.

Thus done and decided at Bienne the 21st of September 1950.

In the name of the Court of Arbitration:

M. HENRY, *Chairman.*
E. BIANCHI, *Court Secretary.*

Judges:
DR. E. WUETRICH
J. JOBIN-ANKLIN
H. SCHAERES
L. GIRARDIN

Deposited in the Court Clerk's office on October 25, 1950, at 14 hours. Delivery notified to the parties the same day by registered letter against receipt of delivery.

COURT OF ARBITRATION OF THE WATCHMAKERS CONVENTION,
E. BIANCHI, *Court Secretary.*

Mr. CENERAZZO. The United States Senate has under consideration the extension of the trade-agreements program and there are those Senators who believe that we should not return to the days of tariff logrolling. There are others who are not satisfied with the administration of the present trade agreements program and are looking for a solution which will not stultify foreign trade and yet protect the jobs of American workers.

The State Department on the other hand, in my opinion, is not interested in what happens to the jobs of American workers and has simply set itself up a course that, come hell or high water—all tariff rates should be reduced regardless of the consequence upon the jobs of American workers. Why do I say this? Because the facts of the American jeweled-watch industry and what has happened to it, its jobs, are well known to the Division of Commercial Policy of the State Department and at every hearing or conversation which we have held with representatives of this Department, they have been extremely hostile to the facts, common sense, and logic presented to them, and the position of our industry continues to deteriorate.

An example of the double-timing which certain State Department representatives give to the American jeweled-watch industry happened right before your committee when I appeared 2 years ago. At that time Mr. Winthrop Brown, representing the State Department before your committee, denied any knowledge of any factual data by the State Department concerning Swiss wage rates. Yet, when I was in Switzerland in the summer of 1949, I obtained from the American Legation a comprehensive copy of wage statistics which were filed with the State Department in September of 1948 by the American Legation in Switzerland. This is a copy of the wage rates as established by the labor court of the watch industry in Switzerland on July 10, 1948.

I would like to submit a copy of this decision for the record at this point.

Senator MILLIKIN. Do you have the references to the testimony of Mr. Brown?

Mr. CENERAZZO. No; I do not have a copy of the testimony, but it is here. Senator Howard McGrath was the one that asked him. I do not have a copy. I tried to get a copy, but I do not have it available.

Senator BREWSTER. Could you look that up and give me the citation?

Mr. CENERAZZO. Yes.

The CHAIRMAN. We can find that. That is in the record.

Mr. CENERAZZO. I would like to submit a copy of these wage rates for the record. I obtained this from the Swiss American Legation in Switzerland. I would like to put these wage rates in the record to show they were available at that time.

The CHAIRMAN. The wage rates as of what date?

Mr. CENERAZZO. These are wage rates as of July 10, 1948.

The CHAIRMAN. All right, you may do so.

(The document above referred to is as follows:)

[From the American Watch Worker, January 1950]

SWISS WATCH WORKERS' WAGES ARE LESS THAN ONE-THIRD OF AMERICAN WATCH WORKERS' WAGES

The following are the average wages established by the labor court for employees of the watch industry in Switzerland on July 10, 1948. These statistics are authentic, and are on file at the American Legation in Berne, Switzerland, as well as with the State Department in Washington, D. C.

Die makers and mechanics

	Per hour	
	Swiss francs	United States cents
Die and gage makers	2. 50	58. 9
Tool makers, qualified cutters	2. 35	55
Specialist mechanics	2. 20	51. 8
Day-labor mechanics	1. 70	39. 8

Minimum salaries after finishing apprenticeship

	Per hour	
	Swiss francs	United States cents
First 6 months:		
Die and gage makers	1. 50	35
Tool makers, qualified cutters	1. 50	35
Specialist mechanics	1. 50	35
Second 6 months:		
Die and gage makers	1 80	42
Tool makers, qualified cutters	1. 70	39. 8
Specialist mechanics	1. 60	37. 4
Third 6 months:		
Die and gage makers	2. 00	46 7
Tool makers, qualified cutters	1 90	44. 3
Specialist mechanics	1. 70	39. 8

Makers of rough movements

	Average salaries per hour	
	Swiss francs	United Sates cents
Men	1. 70	39. 8
Women	1. 25	29. 3

	Minimum salaries per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Personnel in training:				
Under 18 years of age:				
First 6 months	0. 80	18. 7	0. 70	16 5
Second 6 months	. 90	21	. 80	18. 7
Over 18 years of age: First 6 months	1. 20	28	. 95	22. 3

Small pieces mean watch movements—caliber 9¾ and under (second center calibers, up to and including 11½, are included in small pieces).

Large pieces mean watch movements—caliber over 9¾.

All workers who work in communities other than those specified in zone 1, are paid 2½ cents per hour, or 10 centimes per hour less, except that first-class watchmaking factories are considered as being in zone 1, regardless of where they are located:

Gold watch-case makers

	Personnel in training 6 months minimum salaries		Experienced workers average salaries	
	Swiss francs	United States cents	Swiss francs	United States cents
Manufacturing:				
Turners	1.70	39.8	2.40	56.5
Finishers	1.70	39.8	2.30	54.1
Jewelers, case and chain jewelers	1.70	39.8	2.50	58.9
Jewel case makers and setters	1.70	39.8	2.40	56.5
Casters	1.40	32.7	2.20	51.8
Welders	1.30	30.5	2.00	46.7
Stampers	1.20	28	1.80	42
Auxiliaries	1.20	28	1.70	39.8
Finishing:				
Polishing, finishing:				
Men	1.40	32.7	2.10	49.4
Women	1.20	28	1.70	39.8
Lapidary work, buffing mat finishing:				
Men	1.40	32.7	2.40	56.5
Women	1.20	28	1 70	39.8
Auxiliaries	.80	18.7	1.30	30.5

	Minimum salaries per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Personnel in training:				
Under 18 years of age:				
First 6 months	0.75	17.8	0.65	15.2
Second 6 months	.85	20	.75	17.8
Over 18 years of age: First 6 months	1.20	28	.95	22.3

Watch finishers

Watch finishers in zone 1, which is Geneva, Neuchatel, LeLocle, Chaux-de-Fonds, Bienne, St. Imier, and Tramelan, are paid the following rates:

	Average salaries per hour			
	Large pieces		Small pieces	
	Swiss francs	United States cents	Swiss francs	United States cents
Assemblers of mechanisms and finishers	2.20	51.8	2.35	55.2
Preparers (cocks, cases, plates, jewel setting, poising balance wheel)	1.40	32.7	1.55	36.2
Finishers	2 30	54.1	2.45	57.2
Balance wheel cutters:				
Men	2.10	49 4	2.25	53.2
Women	1.60	37.4	1.75	40.9
Adjusters.				
Men	2.50	58.9	2.65	62.4
Women	1.80	42.0	1.95	45.5
Correctors	2.50	58 9	2 65	62 4
Encasing dials	2.20	51 8	2.35	55.2
Assemblers and final adjusters	2 40	56 5	2.55	60.0
Chronograph assemblers	2 30	54 1		

Metal-dial makers

	Average salaries per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Workers with diplomas	2.10	49 4	1.60	37.4
Specialized workers	1 80	42 0	1.30	30.5
Auxiliaries	1.60	37.4	1.20	28.0

Watch hands

	Average salaries per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Specialists	1 90	44.3	1.35	31.6
Auxiliaries	1.60	37.4	1.15	26.9
Personnel in training under 18 years of age:				
First 6 months	.75	17.6	.65	15.2
Second 6 months	.85	20.9	.75	17.6

Mainspring makers

	Average salaries per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Qualified workers	2.10	49.4		
Specialized day laborers	1.75	40.9		
Day laborers	1.60	37.4		
Specialized women laborers			1 35	31.6
Women day laborers			1.20	28
Personnel in training:				
Under 18 years of age:				
First 6 months	.75	17.6	.75	17.6
Second 6 months	.90	21	.90	21
Over 18 years of age, first 6 months	1.20	28	.95	22.3

Jewels

	Average salaries, per hour			
	Men		Women	
	Swiss francs	United States cents	Swiss francs	United States cents
Easy work	1.60	37 4	1.10	25 7
Delicate work	1.80	42	1.25	29.3
Personnel in training:				
Under 18 years of age:				
First 6 months	.70	16 5	.60	14
Second 6 months	.85	19 9	.75	17.6
Over 18 years of age:				
First 3 months	.90	21	.75	17.6
Next 6 months	1 20	28	.95	22 3

Pinion makers

	Average salaries, per hour	
	Swiss francs	United States cents
Class 1	2.40	56.5
Class 2	2.30	54.1
Class 3	1.85	43.1
Class 4	1 70	39.8
Class 5	1.50	35
Class 6	1 25	29.3
Class 7	1.15	26.9

The labor court in defining—calculation of average salary—said: "The average salary is calculated by category, separating hourly and piece workers, and distinguishing, in the finishing of watches, between large and small pieces.

(*a*) *Hourly workers*.—In order to obtain the average salary in a category, the hourly salaries of all workers entering into this category are added, after which the total is divided by the number of workers taken into consideration. Example: in a dial factory, 10 specialized workers earn a total of 18.50 francs per hour. This figure, divided by 10, gives an average hourly salary of 1.85 francs, which is above the average fixed by court (1.80 francs). The factory, therefore, is not obliged to adjust the salaries of these workers.

(*b*) *Pieceworkers*.—The average salaries fixed by judgment or by agreement must be increased by 10 percent. Moreover, the same rules are applicable as are in effect for work done by the hour. Example: five assemblers of mechanism, large pieces, zone 1, earn together 12.25 francs per hour. This figure, divided by 5 gives an hourly average salary of 2.45 francs. As the court has fixed for this category a salary of 2.20 francs, which, increased by 10 percent, amounts to 2.32 francs, the factory need make no adjustment, no matter what the salary earned by workers paid by the hour may be."

This means, of course, that if any group of workers were earning more than the average salaries established by the labor court, that they would not receive an increase. This would be like raising the expected earned rates for pieceworkers and not raising the piece rates.

An analysis of these wage rates paid in Switzerland, and comparing them with the wages paid at Elgin, Hamilton, and Waltham, conclusively proves that Swiss wages are less than one-third of American jeweled-watch workers' wages.

Senator MILLIKIN. Did they tell you that that data had been supplied to the State Department here?

Mr. CENERAZZO. The man in charge of the commercial policy in the Legation in Switzerland told me that had all been sent and was dated and classified and sent to the United States, and a copy was here.

Senator MILLIKIN. To the State Department?

Mr. CENERAZZO. To the State Department. A copy was here when I testified. A copy actually was in the State Department files here.

Senator BREWSTER. He stated that he got this from the American Legation in Switzerland?

Senator MILLIKIN. The question is whether the American Legation in Switzerland transmitted it to the State Department.

Mr. CENERAZZO. Mr. Brown, as the head of the Division of Commercial Policy in the State Department, if he did not know that these wage rates were available in the State Department, should have known and his answers to Senator Howard McGrath, of Rhode Island, at that time shows that he did not even take the time out to find out, if he did not know.

At the hearings before the Committee on Reciprocity in June of 1950, the representative of the State Department on that committee was

extremely hostile to the position of the American jeweled watch industry, asking leading questions of the representatives of the Swiss watch importers to improve their position on the record, and asking hostile questions to representatives of the American jeweled watch industry.

This is what we have been faced with in the postwar years in our seeking of relief from the unfair competitive advantage which the Swiss watch importers have consistently held over the American jeweled watch industry.

Our position is different from that of the employers of the American jeweled watch industry. Here I would like to define the difference. Elgin, Hamilton, and Waltham, as companies, can continue to remain in business long after every job has disappeared for American watch workers.

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness a question. Are watch imports affected by the proceedings at Torquay?

Mr. CENERAZZO. No, they are not. Thank God for that, because I do not know how it could be any worse.

They can become importers and still sell their brand name in the American market. American watch workers who have given a lifetime to the skills of manufacturing, processing and assembling American jeweled watch movements, have no alternative livelihood which will give them the same remuneration if their jobs are taken away from them. There is no one to pay into a pension fund for their old age if they are not working. There are no jobs available for them, particularly when they are over 45 years of age.

The shut-down of the Waltham Watch Co. on February 3, 1950, so arbitrarily by the Reconstruction Finance Corporation, has put on to the record what happens to American watch workers when they are laid off for a long period of time. We have better than 40 percent of Waltham Watch employees out of the 2,132 employees of that company that are still unemployed. Most of these persons are men and women over the age of 45 and many of those that are employed in other employment are not utilizing their skills for there are no comparable jobs for them to go to.

I would like to amplify that, if I may. When a person over 45 years of age starts seeking employment, he is faced with this problem. The company that does the hiring has to pay an increased rate if they hire a person over 45 for workmen's compensation, they have to pay an increased rate for any group insurance contract, they have to take over the obligation if they have a pension plan of that employee, and if they hire a man over 55 he does not have enough pension accrual when he gets to be 65 to retire, and everybody forgets where he worked before he was 45, and the company feels they have the responsibility of letting a man go out with inadequate pension at 65, so people throughout America use every means not to hire people over 45 for that reason.

It becomes extremely hard for these people to get employment anywhere. I have consulted with many of them and helped many of them get positions, but the only place we can place people over 45, 50, 55, and 60 is with 1- and 2-man organizations where somebody feels that they want to give somebody a chance who has the ability and the skills, but large corporations definitely will not hire those people.

If I could only show you by your coming up to Waltham and letting you meet some of these families whose members have worked with Waltham for 30, 40, and 50 years, and see the hardship due to the fact that their unemployment compensation only ran 26 weeks. They are out of work, their funds are being used up, and a lot of people are just too proud to go on public welfare.

That condition still exists in America regardless of what some people say and it is just one of those situations where it seems so unfair that people who have devoted a lifetime to an industry should be driven out of work because of a situation that is caused by unsound tariffs.

The CHAIRMAN. The clock industry even in the finer clocks is not complementary at all of the watch industry?

Mr. CENERAZZO. The clock industry is having its hardship too, Senator George. The United States Time Corp. in Waterbury, Conn., used to make the old Ingersoll watch. They have practically closed down their operation there. They have a plant in Arkansas and they set up a plant in Dundee, Scotland, where they manufacture watches and clocks for the sterling area.

The CHAIRMAN. They have the same trouble or worse?

Mr. CENERAZZO. They are being affected. I would not say it was worse. I would say the situation was about comparable. Another company, the New Haven Clock, went into reorganization in the Federal court and they presently have an RFC loan. I understand they are going in and making clocks for the automobile industry.

General Time Instruments, which is one of the largest companies, make Westclox in LaSalle, Ill. They have set up a plant also in Scotland under the ECA reconversion agreement, and they have had lay-offs in some of their plants. It is a situation that is gradually going down and down. It is not like taking a man out and shooting him and getting it over with. It is just wearing the thing away little by little, and in my opinion the way the thing is going now, it just means complete extinction of the watch and clock industry.

The CHAIRMAN. How old is the watch industry in Switzerland?

Mr. CENERAZZO. It goes back to about the fifteenth century as far as hand-tooled watchmaking is concerned. The first precision manufacturing, that is to say interchangeable parts manufactured by machines, started in this country at the Waltham Watch Co., by a man named Dennison, who was related to the Dennison Manufacturing Co., the tag-making organization. He started the company and eventually got started making movements. Then he went to Switzerland.

First he went to England and then to Switzerland, and he brought the know-how of mechanical watchmaking to Switzerland and, of course, in Switzerland they took over the idea and developed it.

Senator BREWSTER. When was that?

Mr. CENERAZZO. I would say around 1865, following the Civil War, 1870, right in about that period, and they have started simultaneously with us the development of the watch and clock industry, and, of course, it is an industry that comes in very well in the mountain area of Switzerland. It is light industry. Men and women can go to work on it and they have utilized it and they have developed it.

Now the Swiss people, after seeing them and meeting them, you cannot help but like them, and many things that I have said before I just would not say again because of that. I want to make that clear.

Mr. CHAIRMAN. Is it the largest industry of Switzerland?

Mr. CENERAZZO. No. The largest industry of Switzerland, Senator, is fine textiles. I was rather surprised. They employ about 125,000 people. The second is drugs and chemicals, 115,000 people. The third is machine tools, in which about 60,000 are employed, and the figures that were given to me for the watch industry at that time is 50,000.

Senator BREWSTER. What about the hotel industry?

Mr. CENERAZZO. The hotel industry does not employ that many people as far as a large industry is concerned. It is one of the big income producers of Switzerland, but it does not employ that many from the standpoint of actual employment.

The CHAIRMAN. All right, you may proceed. Will you excuse us for these side remarks, but it gives us an interesting picture that we are trying to get.

Mr. CENERAZZO. I think it is very helpful for the record.

Many of these persons are faced with great hardships to themselves and their families for their unemployment compensation benefits have expired and their savings have vanished, and yet, although the company for whom they worked so many years has been delcared vital to the defense of the United States by the United States Munitions Board, no war orders for watch movements have been allocated by the defense agencies of the United States to this company, even though we are supposed to be preparing for defense at a maximum effort. These persons continue to be unemployed with no assistance whatsoever from the Government of the United States.

The Waltham Watch Co. is the oldest American jeweled watch company in the United States. It celebrated its one hundredth birthday in 1950. It has sold over 33 million watches since its inception. Its problem postwar has been to establish a market for its products, which prewar was primarily 55 percent in the 7-, 9-, and 15-jewel field and 45 percent in the 17-jewel-and-over field. Postwar, Waltham was unable to compete in the market of under 17 jewels and devoted all of its production to the 17-jewel-and-over market.

It is interesting to note that since prewar there is only one company left in the 15-jewel field and January 1 of this year Elgin discontinued its 15-jewel market. They could not longer compete and they quit. Waltham, of course, was forced out postwar. They did not bother to go into the field because there was no market.

Their product was a quality product, as evidenced by the fact that its inventory was liquidated through quality jewelry stores and department stores this past fall, not only with the guarantee of the Waltham Watch Co., but the guarantee of the store which sold the product as well. Many famous named jewelry stores put their guarantee behind the Waltham watch during this inventory sale, thereby thoroughly disproving a deliberate propaganda emanating from Swiss watch importer sources during the past 2 years that the Waltham watch did not meet quality requirements.

Waltham Watch Co. and its competent employees can produce competitively with Elgin and Hamilton in the watch field, as is evidenced that Waltham Watch Co. successfully did and produced over $35,000,000 worth of war contracts in World War II on a bid basis and met the rigid requirements required by these contracts. I

would like to insert into the record at this point a list of the war work which was produced by the Waltham Watch Co. during World War II.

Chronometers, clocks, compasses, drift sights, escapements, experimentals, fuses, fuse escapement springs, fuse parts, heat treating, jewels, jewel machinery, pickometers and material, plating, precision parts, remote-control cable, rifle parts, special Navy springs, speedometers and material, tachometers and material, watches, stop watches, watch material, and wire rolling. The total contract price of this war material was $33,341,263.20. Irrespective of what interests that are not concerned with the welfare of the American jeweled-watch industry might say about Waltham, had the tariff on Swiss watch imports been fair and adequate, Waltham would be operating full force on a profitable basis.

Senator MILLIKIN. Is Waltham getting into war work?

Mr. CENERAZZO. Yes. We just got an order the other day for 20,000 clocks for airplanes.

Senator MILLIKIN. How about Elgin and Hamilton?

Mr. CENERAZZO. Elgin and Hamilton are both going into war work and both have established an ordnance division, and Hamilton and Waltham, as I have been given to understand, are collaborating on a time fuse.

Senator MILLIKIN. Switzerland is not a member of the North Atlantic Pact.

Mr. CENERAZZO. No.

Senator MILLIKIN. They are not contributing to the defense of Europe except their own defense.

Mr. CENERAZZO. To the best of my knowledge that is so.

Senator MILLIKIN. So Switzerland once more, unless appropriate steps are taken, will grab up the American market during the present emergency and put us through the same cycle of finding that our domestic people are out of business with the Swiss in possession of the market, is that correct?

Mr. CENERAZZO. That is true, Senator, and, Senator, I would like to point out that listening here Friday to the gentlemen representing fruits and vegetables, it was interesting to note that Switzerland will not allow fresh fruits and vegetables to be imported into its country except after all the domestic production is gone, and they use the excuse it is essential to the national defense of Switzerland that they develop the growing of fresh fruits and vegetables.

They use that for their own preservation and still we on materials which are so essential to us, like timing mechanisms, just seem to go by the board on it. I just cannot understand the coordination of thinking that is in our high level of Government in the administrative branch, and it just does not make sense to me.

The problem of Waltham Watch Co. is no different from the problem facing the Elgin National Watch Co. and the Hamilton Watch Co. How can you continue to market a product indefinitely when your labor costs are 2½ times that of your competitors, who import their product and are able to give a larger mark-up to the distribution outlets.

We have changed our economy from a $50 billion national income to a $250 billion national income. The American jeweled watch industry has not increased its volume of units sold during the past 10 years in the American watch market and when you contrast this with

the fact that production techniques in any factory that is modern and efficient are always such that over a period of time it takes less man-hours to produce a unit because of technological advances and increased efficiency, it simply means that less people are employed today to produce the same number of units that were produced in 1941.

The American jeweled-watch industry has not been able to capture a share of the increased market caused by the quintupling of our national income, because the American jeweler, particularly those in the retail-credit group, can make much more selling Swiss watch import brands that are backed by large national advertising budgets, than they can selling American-made jeweled watches.

Senator MILLIKIN. It was stated 2 years ago in effect that one of the difficulties of the American manufacturers is that they have not kept up with their styling; that they have not made sufficient progress in sales appeal.

Mr. CENERAZZO. I did not say that. I just think Mr. Katz said that. That is not true because they all purchase their cases from many of the same watchcase manufacturers.

Senator MILLIKIN. It was pointed out specifically that the Swiss had gotten the jump on wrist watches and that the American manufacturers were very slow in getting in the popular wrist-watch field. Are there defects in our domestic salesmanship that need correction?

Mr. CENERAZZO. The answer to that is "No." The Swiss got the steal on us because of World War I. We were again producing for war and the Swiss came into the market for the first time on a large scale in World War I, and Elgin, Hamilton, and Waltham, all three reconverted into the making of wrist watches, and the styling, and the answer to that is that even with a smaller mark-up to the jeweler they were still able to stay in business. Even though they have not been able to get an increased share of the market, there is still a consumer demand for Elgin, Hamilton, and Waltham; even with a half-price sale the watches were taken up.

Senator MILLIKIN. It was also alleged that because of the monopoly of the market which the Swiss possessed during the war years that they were able to pile up enormous profits and enormous reserves which they used in advertising campaigns after the war was over to such an extent as to seriously embarrass our domestic people who did not have the wherewithal to put up competing advertising campaigns; is that correct?

Mr. CENERAZZO. That is correct. If you check Bulova's financial statement you will find that in 1938 they were worth about $11 million, and even with all the excess-profits taxes in all the war years they came up in 1948 with a value of better than $31 million. They have increased their financial position with no new added capital coming into the company.

All of these Swiss-watch import groups, particularly Longine, Benrus, made terrific profits during the war, and they established their contacts and put on more sales; they were able to put on greater national advertising campaigns and they intrenched this position at a time that Elgin, Hamilton, and Waltham were producing for the Armed Forces.

Senator BREWSTER. Is that why the Swiss dollar is at a premium over the American dollar in the whole world?

Mr. CENERAZZO. If you check their Department of Federal Economy you will find the Swiss are people who thoroughly believe in their Government, and the Government thoroughly believes in them. Self-preservation is the first law of nature in every action of the Swiss Government. They do not do anything unless it can help the Swiss, regardless of what effect it has on other people. It has got to help the Swiss first.

As far as the money of Switzerland is concerned, I think if a check was made on reinsurance, you will find that instead of England's position being the greatest reinsurer, you will find that the Swiss are. You will also find many of the exports that come from the United States to Switzerland are simply handled by brokerage firms who are buying for other countries who deposit their money in Switzerland. People buy the stuff here, then it goes into Basel, Switzerland, and then is reshipped to other places.

Senator MILLIKIN. That is interesting because it bears directly on the claim that has been made that our export advantage to Switzerland is so good that we dare not disturb these watch agreements. Can you document what you have just said?

Mr. CENERAZZO. I will tell you how I can document what I have just said. It is a very tough thing. I like to be honest with myself and honest with everybody else that I present an argument to or present a discussion to. I went down to the docks down at Basel, Switzerland, on a Saturday morning and I had a couple of young men with me and we went down there and looked around and we talked. One of the boys could talk German and one could speak French, and we asked a lot of questions, and out of that discussion it was brought out much material came to Basel from the United States. Then they would simply relabel them and ship them to other countries.

In other words, Switzerland uses the barter system with other countries and buys from them, and then reships them other goods and things they do not have; they go ahead and become the broker for and reship. That was the discussion I obtained.

When I asked Mr. Hans Shaffner, who is one of the head men in the Department of Public Economy of Switzerland, that question he avoided the answer. He just looked at me as if to say, "You are asking questions you should not be asking."

He just would not give out the information, but I am thoroughly convinced from the questions that I asked in Switzerland that there is a firm in Zurich, Switzerland, which is one of the largest brokers in foreign trade, and I am convinced that they are purchasing for iron-curtain countries.

In addition to that, one of the discussions that I observed when I was in Switzerland was the fact that they were trying to stop roller bearings from being sent to the iron-curtain countries, and I think that our people were successful in stopping those shipments.

Now, of course, I mean the Government of Switzerland has such rigid export and import controls that they can go ahead and step in. If you had any chance to observe the cartel which operates in watch industry, which is probably one of the most efficient in the world, you could see it. You could not hope to get into a factory that was making escapements. They just would not allow you in.

What factories I did get into I had to use subterfuge to a great extent to get into, and I did get into a good many of them, but we used

a lot of subterfuge to do it. I felt that was my job to find out, and I did, but I think you will find that much of the foreign trade that we have with Switzerland, I would not say much of it but a good percentage of it, is diverted into other countries, including iron-curtain countries, and I think that our own legation in Switzerland could document that much better than I can because I was just an individual that was on my way.

Senator BREWSTER. Have you ever had occasion to check the rate of the Swiss dollar? In the last hundred years it has had a far more stable position than either the English pound or the American dollar.

Mr. CENERAZZO. The people would much rather have Swiss francs than the American dollar. The Swiss themselves would. The official rate of exchange is 4 francs 28 centimes for $1. They allow a tourist $200 worth for that exchange. After that you have to go on the open market and the exchange there was 3.97 for $1, so the dollar is valued at 93 cents in Switzerland at this time. As a matter of fact, you can take American dollars and buy foreign currency and then reconvert, as many of the young men in the Armed Forces have found out, and pick up some spending money for yourself.

Senator FREAR. Where do the Swiss get their raw products for the watch industry?

Mr. CENERAZZO. Some from the United States, some from Sweden, and some from Germany.

Senator FREAR. But none in their own geographical limits?

Mr. CENERAZZO. They do not have the facilities for it, and I want to make clear, Senator, that I do not criticize the Swiss. I have got an entirely different opinion now that I had before I went over there.

They are just practicing self-preservation. They are a small country of 4½ million, and they have just educated themselves and they have just set the thing up to take care of themselves. If we practiced a little of it in this country, maybe we would return to the principles that America was founded upon by the founding fathers.

I think that is one of the reasons that Benjamin Franklin brought back so much good advice to the people that wrote the Constitution of the United States. He looked for that. He believed that we should practice a little self-preservation.

Senator FREAR. Did you have any idea during World War II what percentage of precision instruments by the Swiss went to the Axis?

Mr. CENERAZZO. They got all they needed. Under the arrangements that were made they were completely surrounded and the Axis had people representing them in Switzerland, and nothing could leave for export from Switzerland without their approval. They allowed watches for civilian use to come into this country, but nothing for military use. It went from Genoa and then from Genoa back to this country. I do know they had plenty of factories producing timing mechanisms for Germany, Japan, and the rest of the Axis; I would say a good 30 percent from the things that I heard. I would say at least 30 percent of the industry was employed making timing mechanisms for the Axis.

It was with the threat of a gun at their heads. I want to make that very clear that there was the threat of a gun. They were completely surrounded, and with Switzerland's own method of defense, their border patrols, they were in the position of where they had to give in

or they would be invaded, but they did produce those timing mechanisms for the Axis and they could not do it for us.

Senator BREWSTER. They had to get their steel from Germany or Sweden at that time?

Mr. CENERAZZO. Germany and Sweden, that is right.

Senator FREAR. Thank you.

The CHAIRMAN. All right, you may proceed.

Mr. CENERAZZO. A small-town grocer in the Midwest once told me that he sold on his shelves both Quaker Oats and Mothers' Oats, both processed and distributed by the same company. Mothers' Oats had 4 ounces more in the package and sold for a penny less and yet customer after customer came in and bought Quaker Oats and paid a penny more for 4 ounces less. National advertising was behind Quaker Oats and Mothers' Oats had to sell itself.

That is exactly the position the American jeweled watch industry is in. National advertising costs money and you can only advertise up to the limit of your ability which Elgin, Hamilton, and Waltham do, but they cannot compete with the advertising budgets of the Swiss watch brand name importers.

An investigation into the income tax returns of the Swiss watch brand name importers would disclose their advertising expenditures and also the high percentage of profits which they have made during the last decade.

At this point, I would like to put into the record a comparison between the sales of watches manufactured for consumption (0 and 1 jewel excluded) showing the continual decline of the domestic industry's share of the market during the quintupling of our national income.

This chart shows the watches sold by the United States from 1934 to 1950. It is noted in 1942 through 1945 there were sales, but those came out of the inventory which was stockpiled and the completion of the inventory. It was not production that was made during the war. It was production that was utilized and backlogged prior to going 100 percent on war work. This chart will show that in 1934 the domestic industry produced 48.1 percent.

Senator KERR. Where is that now?

Mr. CENERAZZO. On page 7.

Senator KERR. 1934? I did not understand what year you said.

Mr. CENERAZZO. 48.1 percent, and the imports supplied 51.9 percent. Of course, that was a depression year, but was the year in which the agreement was made with Switzerland.

The next year we supplied 47.4, the Swiss 52.6; in 1936 it went to 39.3, and the Swiss to 60.7. If you will notice it gradually dwindles, that is our position, to 32.7, 30.7, 32.1, 31, 30.5, 15.3 percent. Then we drop in the war years to 5.1, 6.6, 6.2. The VJ-day happened in August of 1945, and you will note in '45, with 6 months of production we only made 6.2 percent; 6.2 percent in that year is all we were able to get in the market because it takes about 6 months from the processing to full production.

There are so many processes in the making of a movement; there are over 5,000 piece rates in the making of a watch, the 140 parts that have to do with a watch.

Senator MILLIKIN. Before you finish, I hope that you will tell us exactly what has been done under the negotiations with Switzerland

to which the chairman referred and exactly what has happened as a result of that.

Mr. CENERAZZO. I will. I come to that in just a few minutes, Senator. In 1946 we went to 10.3 the first postwar year; then in 1947, 17.5; 1948, 19.6; 1949 we come back to 21.4; and then in 1950, 19.1. I would like to submit this entire chart for the record.

The CHAIRMAN. Very well.

(The chart above referred to follows:)

	Domestic industry sales	Imports	Apparent consumption	Percentage of market supplied by domestic industry	Percentage of market supplied by imports
	Units	*Units*	*Units*	*Percent*	*Percent*
1934	780, 374	841, 712	1, 621, 086	48. 1	51. 9
1935	1, 028, 229	1, 137, 425	2, 165, 654	47 4	52 6
1936	1, 380, 662	2, 133, 424	3, 514, 086	39 3	60. 7
1937	1, 485, 115	3, 057, 283	4, 542, 398	32. 7	67. 3
1938	946, 517	2, 134, 717	3, 081, 234	30. 7	69. 3
1939	1, 276, 918	2, 699, 745	3, 976, 663	32. 1	67. 9
1940	1, 469, 808	3, 266, 494	4, 736, 302	31. 0	69. 0
1941	1, 778, 227	4, 044, 107	5, 822, 334	30 5	69. 5
1942	917, 941	5, 107, 720	6, 025, 661	15. 3	84. 7
1943	533, 348	7, 609, 643	8, 142, 991	5. 1	94. 9
1944	491, 440	6, 570, 148	7, 061, 588	6. 6	93. 4
1945	574, 778	8, 708, 290	9, 283, 068	6 2	93. 8
1946	1, 044, 597	9, 080, 253	10, 124, 850	10 3	89. 7
1947	1, 563, 968	7, 356, 894	8, 920, 862	17. 5	82. 5
1948	1, 912, 534	7, 829, 738	9, 742, 272	19. 6	80. 4
1949	1, 851, 895	6, 839, 653	8, 700, 688	21. 4	78. 6
1950 [1]	1, 845, 000	7, 840, 716	9, 685, 716	19 1	80. 9

[1] Domestic sales preliminary for Elgin and Hamilton; estimated for Waltham. Imports estimated for full year on basis preliminary 11 month figures, Department of Commerce.

Mr. CENERAZZO. A look at this table will show what is happening to the jobs of American jeweled watch workers. During the last 10 years technological advances, such as assembly line for the assembly of watches, have cut down the man-hours needed in the manufacture of a watch substantially. The interchangeability of parts has helped decrease unit costs. Evidence as to what happens to workers when their employers are modern, efficient manufacturers, when inventory starts to pile up, one need but look to the lay-offs which took place during the fall of 1949 through June of 1950 in our industry. On December 1, 1948, the Elgin National Watch Co. had 4,773 employees and on June 20, 1950, this had been reduced to 3,759 employees, over 1,000 less employees, a 4-day week was in effect from April 17, 1950, through May 22, 1950, and the plant was shut down for the week of May 29 and again for the week of June 26, in addition to the regular shut-down for the 2-week vacation period which began July 2, 1950.

Senator MILLIKIN. Would improvement in processes account for that?

Mr. CENERAZZO. No, Senator. The inventory started backing up on them and started backing up on the jewelers' shelves and they naturally cut back on their production schedules. It takes less man-hours today to produce a movement than it did in 1940 because we now have assembly lines.

Senator MILLIKIN. It would be right to say that resulted from improvement in manufacturing processes?

Mr. CENERAZZO. It definitely would not. This was a question of inventory actually backing up, because the same thing happened. As

I pointed out here, the Hamilton Watch Co. on December 26, 1948, had 3,240 employees; on June 1, 1950, there were 2,449 employees; the tool and die makers worked 32 hours for a long period of time and many of the other employees worked a 36-hour week.

The start of the Korean War with the inventory, scare buying brought some of our laid-off people back to work, but this period before Korea conclusively proves that in a normal market or a cut in our national income, the employees of the American jeweled watch industry will be the losers.

You have before you the question of extending the Trade Agreements Act. As United States Senators, you have grave responsibilities facing you in over 400 different fields of activity which the United States Government participates in. You cannot possibly supervise the administration by the executive branch of Government of every law and appropriation you enact, and yet for the citizens of the United States who are affected by administrative decisions of the executive branch there would be no relief whatsoever if I understand correctly the philosophy which Senator Douglas expressed before the Fulbright committee investigating RFC were carried out, that no elected representative of the people should exercise his influence in behalf of his constituents before administrative agencies of Government. I have to disagree with this philosophy for if it became the philosophy of the Congress of the United States the people of the United States would then in effect be the victim of a rampant bureaucracy free of all restraints.

Senator KERR. You do not think an elected official would stay here very long if he declined to represent his constituents before the administrative agencies, do you?

Mr. CENERAZZO. In the Reorganization Act of 1946, which I think a great deal of thought was put into, they gave each Senator and each Congressman more secretarial force and more administrative assistants. In my opinion it is not only the obligation, it is the duty of a United States Senator and a Congressman to go ahead and intercede for his constituents.

I do not believe that any Congressman or any Senator has the right to threaten or to use means which are high-handed in order to help his constituents, but I do think it is his obligation to intercede, and I think after he intercedes and introduces his constituent to the proper agency, if there is something wrong with it, it is the obligation of the administrative group to tell the Senator, "Here are some facts that you do not know about," so that the Senator can go ahead and clear his position in the record.

Senator KERR. Intercede for a constituent whose position did have merit?

Mr. CENERAZZO. That is correct, sir.

Senator TAFT. I think perhaps you overstate Senator Douglas' position. I do not think he goes quite that far.

Mr. CENERAZZO. I went in to see him Friday morning because I felt it was only fair that I should tell him what I was going to say, and he said that he has departed in his opinion a bit from what he said before the Fulbright committee, and he himself is going to write an article on it. He feels that there is much argument both ways on it.

I do not think that he himself at this time knows exactly what position he takes, how far a Senator should go, and how far he should not go, but I have my own opinion of it.

Senator BREWSTER. Did he indicate he thought he had probably gone too far in the statement he made?

Mr. CENERAZZO. He did say that.

Senator BREWSTER. Did he give you a copy of the wire which he thought was too extreme?

Mr. CENERAZZO. He said in going before the committee, this is the wire that he used, that he said he went too far on. I would like to read it to you. This is Senator Douglas' wire to Chairman Hise of the RFC Board:

> Hope very much that you can expedite loan to the Waltham Watch Co., in order to serve the Elgin works of that company. Jobs of 2,300 employees will be lost if the company goes down. Believe there is great need for such concern both to make watches and for precision instruments needed for military services. Strongly urge favorable action.

That should have been "the Waltham works of that company."

Now here is a United States Senator who is sworn to uphold the Constitution, here is a plant that is essential to national defense, the question of continued employment is spelled out in the RFC Act, and he simply says, "I strongly urge favorable action."

What is wrong with it? That is his job. I do not see anything wrong with it, and when I pointed that out to him, he agreed that maybe he had gone too far. I think that every Senator, every Congressman in the United States in the Waltham situation should have sent such a telegram, and many of them did because they realized the essentiality of keeping this place alive.

There are only three companies that can do it, and many of them interceded, and the interesting thing about that particular loan is that they loaned $4 million, the RFC closed down on them in February, there was still $600,000 available out of the money, and they would not let them utilize it because they put stringent strangle holds on it, and right at this moment $2,250,000 of the loan has been paid, there is $250,000 more going to be paid by July 1, and the rest of the loan has been rewritten as a million and a half dollar mortgage on the fixed assets of the company, and that besides the fixed assets of the company, the company has a net worth today of $4,600,000, so it is a perfectly sound loan and still there are those who are trying to go ahead and for their own interests are trying to move in and make the company look bad.

Senator BREWSTER. Wasn't the criticism more of the fact because the New England manager of the RFC took a job at $30,000 a year after the loan was made, and also a question about the bank's participation?

Mr. CENERAZZO. The banks at that time took a discount of $1,060,000 on a loan that was absolutely worth 100 cents on the dollar, as subsequent events have shown, liquidation of the inventory and everything. They took that as a public-relations gesture to get the heat off because they did not understand the watch industry and they were sold a bill of goods and went ahead and took the line of least resistance.

When the RFC loaned the $4,000,000, Mr. Haggerty was still working for the RFC, and when the loan was finally consummated he was working for the Waltham Watch Co. They had no management at the top level at Waltham because the president had resigned and the trustees hired Mr. Haggerty.

Now, in my opinion, I have said it on the record, I do not think that the loan had anything to do with Mr. Haggerty taking the job. I know that. I take that postion under oath. It was just a question of a man being available——

Senator BREWSTER. He had no knowledge of the watch industry.

Mr. CENERAZZO. That is right, but when he was hired he was hired to be the top executive, and he was supposed to hire other people to go ahead and fill in. The trouble came that Mr. Haggerty tried to do everything himself.

Senator KERR. You mean he was not hired to make watches?

Mr. CENERAZZO. He was hired to be the chief executive of the company, not to make watches, and the trouble was instead of hiring a stylist, a sales manager, and so forth, he tried to do everything himself. When a man cannot delegate authority, the thing crashes down around his ears. That is what happened in that case.

One of the things that is awfully important in that situation is to know that three trustees were designated, one by the RFC, one by the bondholders, and one by the judge of the Federal court.

Now the one that was designated by the RFC moved in to take over, a man named Fitzgerald, a contractor. Two of the other trustees, immediately upon the company coming out of reorganization, resigned, and the RFC, instead of insisting that the company be not left in the hands of one man, went ahead and allowed the thing to stay in the hands of three directors of the company, with only one voting trustee, with two vacancies.

Now the big squabble came that the directors were not expanded and they did not go ahead and move on. It was just internal friction for control of the company that went ahead and caused the eventual shut-down.

Since they have been out of it, we have got the fellow that was sales manager who was promoted by the stockholders to be the president of the company and designated by the court under a plan of reorganization, and he has gone to town and liquidated the inventory, brought much working capital into the company which has since been paid back to RFC, but what has happened is this: The watch industry is such that nobody wants to invest any money in it.

You can go into stock brokerage firms throughout America. Here is a good proposition. The plant and equipment are there. It is an efficient operation. The manpower is there and it is even an industry which might go into war orders, but still firm after firm that is in the investment business will say, "We just cannot sell that stock because look at the watch industry, look at the tariff situation, look at the competition," so that you just cannot go out in the open market and get working capital that is needed, and you cannot go to the banks to get it because the banks just feel that one group of banks had an unpleasant experience and they will not go into it, and the RFC will not lend it to you, so the outcome is we have got 2,000 people laid off.

Without war contracts there is no hope of those people being put back to work. In the watch industry we have practices of 6 months to a year credit to a jeweler when he buys watches from the watch company. He gets from 6 months to a year's credit. It takes a tremendous amount of working capital to finance your inventory and your accounts receivable, and one-third of your watches are sold in the first 8 months of the year and two-thirds in the last 4 months of

the year, so that the amount of working capital that is needed is tremendous. Even Hamilton has to borrow from the banks to finance their accounts receivable and they still sell through jobbers. Most of their selling is through jobbers.

Elgin just put through a $10,000,000 loan with the Metropolitan Life Insurance Co. which helped them buy the Wadsworth plant, and the rest of the money was used in the financing of its accounts receivable, so you see the extreme problem we have at Waltham is lack of working capital and nowhere to get it. There isn't venture capital that is available.

Senator TAFT. What percentage of watchcases are made in the United States?

Mr. CENERAZZO. At this point now, Senator, it used to be that very few watchcases were imported into the United States, but now I think you will find about 60 percent of watchcases are being made in the United States and about 40 percent imported, to the best of my knowledge.

Senator TAFT. A much larger proportion than the movements.

Mr. CENERAZZO. Much larger.

Senator KERR. Are not the American watches just as efficient?

Mr. CENERAZZO. Senator, if I were going to meet my Maker right this minute and I was going to advise someone, I would advise them to buy an American-made watch because they get much more value for their money.

There are Swiss watches that are hand-made and hand-designed, but you have to pay a tremendous amount of money for them, more than you will for an American-made watch, but for the brand names advertised every day on the American market, a person will do much better buying American watches.

Senator KERR. What are the principal Swiss watches?

Mr. CENERAZZO. Bulova, Gruen, Longines, Benrus. They are about the four biggest brand names.

Senator KERR. All the watches bearing those names are imported watches?

Mr. CENERAZZO. All of those are imported watches. Bulova, as I pointed out earlier in my testimony, does have a plant in Woodside, Long Island. If you remember during the excise-tax hearing Bulova filed statistics on watches he claimed were manufactured in this country. I know the level of production here and in Switzerland, how much output there is in a factory with that number of employees, and I do not see how he could possibly produce that number of watches and do his casing of imported watches in his plant in entirety. In my opinion, he produces some parts of every part, but he does not produce that many complete watches.

The big thing when you are arguing with a Swiss watch importer, is this. I have had many discussions with them. They try to convince you manufacturing is simply taking a movement, putting it in a case and then putting it in the box.

It is the same as taking and just making the automobile body and forgetting about the engine, transmission, and so forth, buying that from somebody else and putting it in. Are you an automobile manufacturer then? You are an automobile assembler, not a manufacturer, unless you actually make all the parts that go into the automobile.

Senator KERR. Or at least some of them.

Mr. CENERAZZO. That is correct.

The only hope the American people have is for the balance established in the Constitution of the United States by our founding fathers to be put back into effect, and that is for the executive, legislative, and judicial branches of Government to assume their fullresp onsibilities under the Constitution.

What has been happening in the United States during the past 15 years as our Federal Government has grown larger has been that the administrative branch has created in the various departments of Government little "brain trusts" to write the legislation and present it to the administration leaders in the Congress for adoption.

I want to say it is with great pleasure that I have watched this session of Congress. I particularly want to say that I thoroughly enjoyed Senator George's statement Saturday in asserting the position of Congress on the question of the Armed Forces.

I felt that at least the Senators and the Congress of the United States are now starting to say, "It is time for us to make the decisions," and it is not because somebody holds a title in the Cabinet or in the executive branch of Government that they know all the answers. In my opinion the deliberative body to make the decisions is the legislative branch.

The "emergency" is utilized for the rapid passage of all legislation and the outcome has been that the Congress of the United States has been brought to the position where it has abdicated its responsibilities to the executive branch of Government, thereby making the United States Senate and the United States Congress a rubber stamp for the executive branch of Government.

It seems to me that it might be changing a little bit, and I do hope that it changes, because that is the only salvation that the American people have of not being under the foot of bureaucracy.

The time has come for this trend to stop and for Congress to assume its constitutional duties and obligations if the American people are to continue to have the benefits of the Constitution of the United States.

No industry can get relief under the trade-agreements program. No industry can obtain justice from the bureaucrats of the State Department who believe in free trade. Where else can we come except to the Congress of the United States?

The following table shows what Swiss labor rates were as of October 1949.

SWISS LABOR RATES

Data from the Swiss Government publication, Vie Economique, April 7, 1949, supplied the basic rate data for the Swiss watch industry for October 1948. These rates included (according to the Vie Economique):

70 centimes per hour, cost of living
4 percent, official vacations
6 percent, additional to married personnel
2.7 percent, four official holidays
2.0 percent, sickness and unemployment

Latest available estimates indicate that 2 percent to AVS (old-age and invalidity fund) and 3 percent estimated general increase should be added. The 6 percent allowance to married persons has been reduced to 4.2 percent and the cost-of-living allowance has been reduced to 10 centimes per hour for those under 19 years of age.

Since the exact number of married individuals is not known the 2 percent and 3 percent adjustments upward have been made without the compensatory downward revisions. The Swiss labor rates expressed in dollars are:

	Number of employees	Average rate as reported for October 1948	Rate as adjusted, October 1949
Shop only	38, 314	$0. 559	$0. 587
Factory	39, 991	. 577	. 606
All	43, 373	. 582	. 611

The latter rate has been used for comparative purposes since it minimizes rather than accentuates the rate disparity.

Contrast this 61.1 cents which includes all fringe benefits paid the Swiss watch worker with the $1.75 per hour which is the average earnings including fringe benefits paid the American watch worker——

Senator MILLIKIN. How many people are engaged in Swiss watchmaking?

Mr. CENERAZZO. That is my next statement.

And then compare the 43,373 persons employed in Switzerland on the production of watches as compared to the less than 6,000 now employed in the United States, and then ask yourselves the question: How can the American jeweled-watch industry survive? We cannot unless we get relief and immediate relief.

Senator MILLIKIN. Have you analyzed the Swiss market over the world so that we could determine what percentage of the whole Swiss export business is attributable to the United States?

Mr. CENERAZZO. I have that. Between 30 to 35 of the Swiss production comes to the United States.

Senator MILLIKIN. So what percentage of that labor may we attribute to the United States?

Mr. CENERAZZO. About twelve to fourteen thousand.

Senator MILLIKIN. And how many people do we employ?

Mr. CENERAZZO. We have less than 6,000. If we put everybody back to work that was laid off, we would have about 9,000.

Senator MILLIKIN. So we are supporting about 12,000 Swiss watch workers?

Mr. CENERAZZO. That is right.

Senator MILLIKIN. While two or three thousand of our own are out of employment.

Mr. CENERAZZO. Not only doing that, but making some importers very wealthy doing it.

The industry filed on February 13 an application with the United States Tariff Commission for a return to the 1930 tariff rates, which were reduced in the 1936 trade agreement with Switzerland. On October 15, 1950, the Swiss agreed to the inclusion of an escape clause in the agreement and for the first time we now have the opportunity to place our case before the entire Tariff Commission. That is due to the efforts of this committee in going to the front for us.

Senator MILLIKIN. And what is the wording of that escape clause?

Mr. CENERAZZO. The escape clause, as I understand it, is by simply notifying the Swiss that the rates are back, that is all there is to it.

Senator MILLIKIN. There are no criteria? We can escape whenever we want to?

Mr. CENERAZZO. Whenever our Government wants to.

Senator MILLIKIN. And for whatever reason may be satisfactory to us?

Mr. CENERAZZO. That is right, sir, as I understand it.

Senator MILLIKIN. You do not have a copy of it?

Mr. CENERAZZO. I do not. I have never been given a copy of it.

Senator BREWSTER. That permits them, however, to also start escaping, does it not?

Senator MILLIKIN. I should think so. They all do. There is not a foreign country that does not escape whenever it suits its convenience.

Mr. CENERAZZO. Do not worry about the Swiss. Whether we have an escape clause or not, if it becomes convenient for their self-preservation, they are going to take care of themselves.

This is an interesting thing. When Germany was occupied by us before we entered into the trade agreement with Germany, they bought a tremendous amount of machine tools from the United States to supplement their machine tool industry in Switzerland. Of course our wage scales are much higher than the German wage scales.

When they started again in Germany, they entered into a trade agreement with Switzerland which was approved by the Allies and immediately much of that machine tool purchasing left our country and went back into the German areas.

Senator BREWSTER. Would this difficulty have been anticipated when they made this reduction in 1936?

Mr. CENERAZZO. Anticipated by us?

Senator BREWSTER. Would they have anticipated that this would have that impact when they reduced that duty?

Mr. CENERAZZO. I do not know the answer to that, Senator.

Senator BREWSTER. Would you not have predicted that this would have this effect when they cut that tariff?

Mr. CENERAZZO. It stood to reason, because we were getting increases in wages in this country, and that is what happened.

Senator BREWSTER. The point I am getting at is if the Tariff Commission anticipated this difficulty, it is not grounds for relief under the operation of the escape clause.

Senator MILLIKIN. That is why I want to see the exact wording Senator.

Mr. CENERAZZO. I do not think the Tariff Commission at that time anticipated it. I do not think they were consulted. I do not think anybody was consulted during that era from '33 to '36.

Senator BREWSTER. They had extended hearings.

Mr. CENERAZZO. I was not in the industry then, Senator, so I do not know.

Senator BREWSTER. They had very extended hearings and very serious objections were raised to almost all.

Senator MILLIKIN. What are you doing now under the escape clause?

Mr. CENERAZZO. The Tariff Commission has not yet said what they will do with this application. If they say no, and I do not see how they can on the basis of common sense and logic, upon the facts which they have before them, but if they do say no, there will be no exclusive American jewled watch manufacturer. If they say yes, then the question comes whether or not the executive branch of our Government will proceed to reinstate the 1930 rates. It's all a matter of conjecture.

The industry has filed a very comprehensive brief. They have given some confidential tables to the Tariff Commission which break down production completely in this country, imports by markets and by areas, and they have answered almost every conceivable question that could be asked. As I understand it, the Tariff Commission is still asking questions.

Now what is going to happen? I have a lot greater faith in the Tariff Commission than I would have in the State Department. I say that for the record.

I believe with all things being equal, that the Tariff Commission ought to come up with the answers, because just on the facts there cannot be other answers except that the industry needs relief.

Senator TAFT. What are the relative tariffs, just roughly, what were they in the thirties and what do they amount to now?

Mr. CENERAZZO. They are about 34 percent less now.

Senator TAFT. What in dollars?

Mr. CENERAZZO. In dollars a 17-jewel lady's watch movement is $2.70 now. That is a very small lady's watch movement, and that was about 34 percent higher, so it is roughly a dollar more. It would be about $4, I think.

Senator TAFT. And this is 30 percent?

Mr. CENERAZZO. Thirty-four percent.

Senator TAFT. From something like 3.70 to 2.70 per movement?

Mr. CENERAZZO. Under the tariff paragraph there is a charge for adjustments that should be charged when it is compensated for heat or cold and various other adjustments. Our Treasury Department has let these watches come in marked "unadjusted" and does not charge these duties.

The CHAIRMAN. That matter is now before the Treasury.

Mr. CENERAZZO. It is now before the Treasury Department, and there has been no answer as yet. It has been there 5 to 6 months, Senator.

Any competent watchmaker will tell you all the importer does is put these movements in cases. Many of them even have hands and dials on them. The adjustments are built into the movements in Switzerland. The importers just run them to make sure they run for twenty-four hours, that the main spring works, and that is the end of it. Here is a comparison of rates and duties under the Tariff Act of 1930.

The CHAIRMAN. You may put that in the record and we will have them.

(The document above referred to is as follows:)

80378—51—pt. 1——36

EXHIBIT A

Comparison of rates of duty under Tariff Act of 1930 and trade agreement on jeweled watch movements containing 7, but not more than 17 jewels, by size and jewel count, showing amount and percentage of reductions thereon and elimination of size brackets

	7-jewel movements				15-jewel movements				17-jewel movements			
	Trade agreement of 1930 base rates	Trade agreement base rates	Amount of reduction	Percentage of reduction	Trade agreement of 1930 base rates and additional duty for jewels in excess of 7	Trade agreement base rates plus additional jewel duty	Amount of reduction	Percentage of reduction	Trade agreement of 1930 base rates and additional duty for jewels in excess of 7	Trade agreement base rates plus additional jewel duty	Amount of reduction	Percentage of reduction
Over 1.5 to 1.77 inches	$1.25		$0.35	28	$2 45		$0 83	33.8	$2.75		$0.95	34½
Over 1.2 to 1.5 inches	1.40	$0.90	.50	35	2 60	$1.62	.98	37.6	2.90	$1.80	1.10	37.9
Over 1.0 to 1.2 inches	1.55		.65	41.9	2.75		1.13	41	3.05		1.25	40.9
Over 0.9 to 1.0 inches	1.75	1.20	.55	31.4	2.95	1.92	1.03	34.9	3.25	2.10	1.15	32.3
Over 0.8 to 0.9 inches	2.00	1.35	.65	32½	3.20	2.07	1.13	35.3	3.50	2.25	1.25	35.7
Over 0.6 to 0.8 inches	2.25		.90	40	3.45		1.38	40	3.75		1.50	40
0.6 inch and less	2.50	1.80	.70	28	3.70	2.52	1.18	31.8	4.00	2.70	1.30	32.5

The CHAIRMAN. Will the tariff rates really restore the industry in this country or will it take also some quotas?

Mr. CENERAZZO. I do not know the answer to that. The way the quotas worked in 1946 when we had it, they had an absolute disregard for them. If you will remember, the State Department at that time put it in. They brought in about a million more than they agreed to bring in.

Now, in my opinion, if you bring the tariff up sufficiently and you collect for the adjustments, that will equalize the selling price, not to the consumer, but it will equalize the selling price to the retailer, and when Elgin, Hamilton, or Waltham walks into a retail credit jeweler and lays watches on the counter, they can compete equally in price because the brand-name importer will not have the edge there to undercut the selling price.

The consumer in all cases pays as much, if not more, for a Swiss brand watch than he does for an American made watch.

Senator MILLIKIN. The former quota was circumvented among other ways by sending the Swiss watches to Mexico or other countries?

Mr. CENERAZZO. Indirectly; yes.

Senator MILLIKIN. Whereupon they were shipped in here without regard to the quota, is that not correct?

Mr. CENERAZZO. That is correct. I mean, quotas are something that—I mean, I just cannot warm up to them any more, as I have tried to make a study.

Senator TAFT. It is more difficult with watches than it is with bushels of wheat, and so forth? Isn't that right?

Mr. CENERAZZO. I mean, there are so many different manufacturers in this country, but unless it was policed in Switzerland, you just would not be able to exercise any control. I mean, I think that the answer to that would be an adequate tariff.

The CHAIRMAN. You think that an adequate tariff is the answer, do you?

Mr. CENERAZZO. I think they ought to be based upon the differential which surely ought to be available to the investigator.

Senator KERR. They would be able to make progress if it was equalized?

Mr. CENERAZZO. I think so, Senator.

Senator KERR. Do you think the volume is brought about by the retailers preferring a foreign made watch?

Mr. CENERAZZO. I think there are two questions here, first, is the brand-name advertising, the big national advertising expenditures bring about, I mean, I think that creates a desire for a brand name; and the second is the jewelry store, which sells, particularly the chain credit stores will buy the Swiss brand names because of the higher percentage of profits.

I think if you can equalize the price to the wholesaler, the wholesale price, that that will take care of the rest of it.

Elgin, Hamilton, and Waltham have alert sales departments, and I have talked with the three of them from time to time.

I have also gone shopping when I have been on trips in various places throughout the United States, and if you go in and ask for an Elgin or a Hamilton, then they try to steer you into another brand, because they can make more money selling the other brand. I think that is about the problem.

There has been the assertion that it will cost consumers $20 million or $40 million more if the prices go up. That is not so. I think you will find in all cases that the Swiss-watch importer will take the consumer's price, that is, the fair trade Swiss watches, and put it at the same level as Elgin, Waltham, or Hamilton, or just a little less, at 50 cents or a dollar less, and that is exactly where it hits, it is at the wholesale level where the damage is done.

You can well understand why a retailer will go ahead and buy the product that he makes the most profit on.

That is the American way of doing business, and you cannot object to their doing that.

The CHAIRMAN. Is there anything else you wish to put into the record?

Senator MILLIKIN. I would like to say that I am now advised that the agreement having to do with Switzerland runs as follows:

> 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 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 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.

Now, that starts out with: "If, as a result of unforeseen developments"—

Well, if the injury was foreseen, then you are not entitled to that relief under that escape clause. I suggest that it will be said that the injury was foreseen, or there will be a claim that it was foreseen, and therefore you should not have the relief.

In prior hearings it developed that we took the lumps under the Swiss agreement in order to get the benefit of what has been de-

scribed as extremely favorable trade balance in our favor, so far as Switzerland is concerned.

So watch for that little gimmick as this develops.

Mr. CENERAZZO. Does that mean that we are foreclosed from relief?

Senator MILLIKIN. If the injury was unforeseen, then you are entitled to relief, but if the injury was foreseen, then you are not.

The CHAIRMAN. There is some other additional language which I think you should read, Senator.

Senator MILLIKIN. Well, they told me that it is not in the Swiss agreement, the rest of it, because Switzerland is not a part of GATT, and this has particular reference to GATT.

The CHAIRMAN. Very well.

Mr. CENERAZZO. May I go ahead and put the rest of my statement in? I would like to say that, in my opinion, there are two amendments that were passed by the House, the amendments that were passed by by the House, they foresee and particularly under the peril point, any agreement that is to be negotiated, but there is no relief for any industry under that peril point agreement, for any agreement already negotiated, and I think that law should be amended to take care of the many industries which are already working under agreements that are already negotiated.

I mean, there is this point to be considered, nowhere in the thinking of our State Department do they ever consider unit cost. If you take 1930 wages, at the 1930 level we had a 48-hour week throughout America, and we did not have social security, nor did we have unemployment compensation, which cost the employers 1½ percent for social security, and up to about 2.7 for unemployment compensation.

In 1951 we are on a 40-hour week, and in some cases less than 40-hour weeks.

We have six paid holidays, we have vacations with pay that run from 2 to 3 weeks in most American industries.

In addition, we have group insurance and sickness benefits, and we have pension benefits which add anywhere from 4 to 7 percent onto the payroll of the employer.

All of these things go into the unit cost of American industry, and when you take those things into consideration, and then you take a foreign product and bring it into the market, that foreign product comes into the market and competes directly with that at the wholesale level, as it does in our case, and unless something is done to go ahead and take into consideration in the establishment of trade to bring about an equality at the border between foreign and American made products, industry after industry will get hit.

I don't like to take up too much of your time, but I would like to point out that I went through 78 plants in a period of 10 weeks in Europe, and I went through plants in the South American countries, and I have been through many, many American plants in many varied industries.

There is machinery and equipment and manufacturing establishments in the European and South American countries that we do not have the likes of in this country, on a mass production basis.

They have competent machinery and equipment in those countries, and the answer is that the employees who work on that machinery put out every bit as much as the American workers do. In fact,

they put out more in some cases, because they have not developed the things that go with machinery as time goes on.

It is a question of survival, and the oversupply of labor makes a person accept work, with the work stint upon them, and there is not collective bargaining in any sense to bring about a balance.

I believe the whole trade picture should not be put back to tariff logrolling, but I think we ought to take scientific methods, modern bookkeeping and accounting techniques to compute competitive unit costs, so that people cannot hide behind inefficient manufacturing, and we ought to have an agency with sufficient intelligence to bring about equality at the border between our goods and foreign-made goods.

If a fellow wants to lay them down, they are swell, if they want to fix it so that those goods come in here on the same basis as we manufacture them, that is fine.

There is one thing that has never been brought out by anybody, and that is that over two-thirds of the products imported to the United States come in duty-free. It is only one-third of the imports that come into the United States with a duty, and we are talking about them here, they are manufactured goods, where a great deal of the injury is done, and I think that should be taken into consideration in establishing an honest tariff policy that will protect America.

The CHAIRMAN. Well, we thank you very much.

Senator BUTLER. I want to make one statement, I think the watch industry is a sort of test case for the whole reciprocal trade problem that is more easily understood than it is when it is applied to some industry where there are hundreds of thousands of employees. Here it is a small problem, but it is a typical case of what applies to every industry, regardless of its size.

Mr. CENERAZZO. I think that is true, but I think you can pin down the competitive factors here more simply than in the textile industry, for instance.

Senator BREWSTER. Was there some material which you offered before the House which did not get into the record which you would like to have extended in the record here?

Mr. CENERAZZO. Yes, I would, Senator.

I made a statement concerning the Encyclopedia Britannica. I evidently talked too fast for the reporter, and he did not get what I said.

Senator BREWSTER. Can that go into the record here?

Senator TAFT. Is there a tariff on the Encyclopedia Britannica?

Senator BREWSTER. This relates to printing. I don't think we need go into the details of it, if that can be placed in the record. He gave it before the House, but the record did not get corrected, so it never appeared.

The CHAIRMAN. Does it have a bearing on our problem?

Mr. CENERAZZO. I think it simply shows that there are companies that produce here that are now starting to produce abroad, because they cannot continue with the American wage costs, and furthermore, they are going to lower wage areas.

I mean, I think Senator Benton takes the position that I am wrong, that the only reason that the Encyclopedia Britannica is printed in England is because they cannot sell in that area unless they do print there, but I think the record will show that it is otherwise.

The CHAIRMAN. You may put it in. We do not want to get into a controversy with any other Senator about anything else.

Senator BREWSTER. It bears directly on this question.

The CHAIRMAN. You may furnish it to the reporter, and the reporter will see that it gets into the record.

(The document referred to is as follows:)

Gentlemen, I could give you many similes to prove my points. I could tell you of my experiences in traveling through European and South American countries. I went through 78 foreign plants in a 10-week period and I know what I saw—modern up-to-date machinery comparable to anything that we have, with workers producing as much as we do but getting paid in substandard wages which enable them only to live in substandard conditions. Is that what Marshall plan was for? That isn't what George Marshall said at the Harvard Tercentenary when he announced the Marshall plan. That isn't what the American people thought as they were paying the taxes for the Marshall plan. We know it had to be done. It's been done, but isn't it a good idea for people who enjoy middle-class living to start giving others the formula for middle-class living and to help them get it.

These illusionaries—these dreamy-eyed idealists—these impractical persons whom you can't help but love for their give-away of their shirts; but don't we just have to resent it when they start to give away our shirts without accomplishing the objectives that we desire.

They want to abolish the copyright law, without realizing that they are giving away the jobs of printing-trades workers and the businesses of printers throughout America.

The largest printing job in America is the Encyclopedia Britannica. The management stock is completely owned by Senator Benton, of Connecticut. Senator Benton, along with his political partner, the former Governor Bowles, of Connecticut, when they were both in the State Department have consistently advocated the repeal of the United States copyright law in joining the international copyright association.

If this copyright law were repealed it would mean that books or magazines could be printed anywhere in the world and come into the United States with copyright protection. As the law now reads, a book must be printed in the United States if it is to receive copyright protection within our borders.

Three days after the 1950 election, mind you, 3 days after not 3 days before, Encyclopedia Britannica announced that it was going to print in Great Britain.

Wages of printers are one-third to one-fourth in Great Britain to what they are in the United States.

The Encyclopedia Britannica is printed today in one of the largest nonunion shops in America, the Donnelley Lakeside Press in Chicago and, evidently, the wages there are not low enough for they intend to print the Encyclopedia Britannica in Great Britain.

This will be accomplished by setting the type in the United States and electrotyping the plates and sending them to Great Britain where they will be printed. Senator Benton and his political partner, ex-Governor Bowles, are ardent supporters of the Reciprocal Trade Act. They are ardent supporters of the repeal of the copyright law. Can you imagine wanting to take the props out from under the printing industry of the United States by allowing books to be printed in foreign lands where wages are so much lower than ours. It would mean that a book could be sold anywhere in the United States with copyright protection even though they were printed elsewhere. Why do these people want an international copyright law? Why, I cannot understand. I cannot comprehend. I wonder what the printers of Connecticut who are employed by the Conde-Nast Co. in Stamford, Conn., think about this. I wonder what the printers in the Wilson-Lee Co. in New Haven and all the other printing establishments would think about this if they knew that their jobs could be moved to a foreign country where wages are much lower and that if the copyright policy of the United States was changed that 75 to 80 percent of all the books and magazines which are now printed in the United States, with the exception of the weekly news magazines, would be printed in foreign countries because of cheaper wage costs.

The CHAIRMAN. Do you have anything further?

Mr. CENERAZZO. Yes; I would like to complete my statement.

The CHAIRMAN. Very well.

Mr. CENERAZZO. It is a matter that the future will decide. The Congress of the United States has nothing to say under this trade-agreements program whether or not we are entitled to relief, yet the Constitution specifically gives that responsibility to the Congress of the United States.

Are we wrong in asking for relief from Congress—at least a "watch-dog procedure"—so that the bureaucrats will know someone is watching them that can do something about it.

The bill extending the trade-agreements program as passed by the House which includes the peril point and escape clause amendments is a better law than we now have but it only protects the industries in future negotiations for future agreements. It makes no provisions whatsoever for the industries being hurt by existing agreements.

This law should surely be amended so that existing agreements can be looked into when American industries are hurt by imports.

May I make these recommendations to your committee:

1. Establish the Tariff Commission as a fact-finding agency which really works at it with adequate manpower to get the facts whenever an application is filed for relief.

2. Establish a reciprocal trade agency with men representing the legislative branch as well as the executive branch to bargain with foreign countries on the question of tariffs with authority to impose restrictions of all types, including quotas for you must fight fire with fire.

3. Have Congress establish a commercial policy that is so clear and concise that all nations will understand that as they improve living standards and raise workers' wages, that we will reduce their tariffs accordingly, that we will penalize the low wage countries and help by lowering tariffs for the fair wage countries.

4. That the Voice of America start exporting the formula of America, not only to the people of other countries, but to the governments of other nations so that they will stop representing the few and become the government of all in their nations.

Such a program would be the practical way to put into effect what Cordell Hull meant when he originally espoused the reciprocal trade program; what we have now in effect is simply a unilateral program designed to abolish all tariffs without regard to the interests of the jobs of the American workers.

The efforts by the dreamy-eyed idealists in the State Department to abolish all tariffs have been exposed during the past 3 years to such an extent that they now want to discourage their efforts under new names and new legislation such as the International Trade Organization.

The Congress of the United States can well afford to look at these efforts of the State Department with a jaundiced eye for the interests of the United States are not being protected by such inept leadership.

This may be my last opportunity to warn the Congress of the dangers facing the American jeweled watch industry so essential to the national defense of the United States, as 2 or 3 years may well bring Elgin, Hamilton, and Waltham as importers of Swiss watch movements and the abandonment of watch manufacturing in this country, if we do not obtain immediate relief.

If this happens, it will be a sorry day for our Nation, for we will not have heeded the lessons of World War II as France and England

have when they found themselves without an adequate timing mechanism industry.

France is building a jeweled watch industry; England is trying to; the United States is killing ours by refusing to give us adequate tariff protection, by placing equality at the border between Swiss imports and American unit costs.

May I prevail upon the members of this committee to exert their influence in behalf of an industry essential to national defense, and the job opportunities of American workers who are seeing their jobs taken away from them by the negligence of our Government.

That is all, sir.

The CHAIRMAN. Thank you very much for your appearance here. Mr. Cenerazzo.

Mr. CENERAZZO. Thank you, Senator.

The CHAIRMAN. I have a letter here that was sent to Senator Johnson, of Colorado, by the Pittsburgh Plate Glass Co., or rather, by Mr. T. A. Nelson, manager of the Pittsburgh Plate Glass Co., and Mr. Johnson would like to have this letter placed in the record at this point.

The reporter is to lay in this document at this point.

(The letter referred to above is as follows:)

PITTSBURGH PLATE GLASS CO.,
Denver 1, Colo., February 21, 1951.

HON. EDWIN C. JOHNSON,
Senate Office Building, Washington, D. C.

DEAR SENATOR JOHNSON: I am opposed to any extension of the trade agreements law as suggested in the bill, H. R. 1612, now before the Senate Finance Committee. I believe that the tariff adjustment power which has been delegated away by the Congress has been and is being badly misused. This tariff-making power should be restored to the Congress or to some newly created agency which will pay proper attention to the needs of American industry, agriculture, and labor as the basis of the national well-being.

The refusal of the State Department to defer or terminate discussions now under way at Torquay, England, for further tariff reductions in the face of the existing domestic emergency and the critical world situation is striking evidence of its intention to carry forward a tariff-cutting program without regard to anything else.

The amendments to the trade agreements law as adopted by the House of Representatives in the bill H. R. 1612 would be of some assistance to American industry. They fall short, however, of meeting or curbing the crusading zeal of the State Department for complete free trade. If it is impractical or impossible at this time to repeal the Reciprocal Trade Agreements Act and to substitute a workable scientific program in its place, then I strongly urge the retention of at least three of the amendments incorporated in the bill, H. R. 1612, by the House of Representatives with some additions and clarifications. These amendments are:

1. Peril point amendment.
2. Communist amendment.
3. Escape clause.

The peril point amendment is similar to a provision contained in the 1948 extension of the Trade Agreements Act. That provision did not prevent a wholesale reduction of tariff rates on industrial products in the multilateral trade negotiations carried on by the Department of State at Annecy, France. However, the present provision may constitute some brake on the trade agreements program. Its weakness lies in the fact that the President may disregard the Tariff Commission findings and the only recourse is by legislative action. The provision would be strengthened if the Tariff Commission findings, under the peril point clause, were made mandatory upon the President.

The so-called Communist amendment is a most important constructive suggestion and should be adopted. Under the present law, the Communist countries continue to receive the benefit of concessions in duty already in effect, and under

the present amendment would be barred only from receiving any new concessions which might be granted in any future trade agreement. This seems highly anomalous. On the one hand, the United States imposes strict export controls of its own and insists upon similar controls by the Allied Nations to prevent trade of any critical or important materials with the Communist countries. On the other hand, it opens wide the doors to imports of all sorts and types of products from the same countries and extends to such countries the same most-favored nation treatment as it gives to our best friends.

The proposed Communist amendment should be retained with the addition of a provision to make it retroactive in effect so as to withdraw from Communist controlled countries the benefit of trade agreement concessions already in effect.

The escape clause is an exceedingly helpful suggestion, especially as it would formalize in the law what is now only an executive grant. It is not entirely clear, however, whether the proposed escape clause amendment would apply retroactively and cover trade agreements already in effect or whether it would apply only to new trade agreements negotiated in the future. This is of importance as the proposed new amendment is substantially different from the escape clause provision contained in trade agreements already in effect. For example, the escape clause provision now in effect requires that increased imports which result in injury or threatened injury must have been the result of unforeseen circumstances and of particular concession in duty. Czechoslovakia has taken the position in the tariff negotiations at Torquay that increase of imports was the very purpose of a concession in duty and therefore any increase in imports which result from a tariff concession was not an unforeseen circumstance and therefore forms no basis for modification or withdrawal of a tariff concession. The elimination of this requirement of "unforeseen circumstances" in the proposal in H. R. 1612 is a constructive and clarifying step. It should be made expressly applicable, however, to trade agreements already in effect.

The further provision in the proposed new escape clause provision of specifying factors which shall be considered to constitute injury may be very helpful. It should be made clear, however, that the specification of these factors does not exclude other considerations in determination of whether a domestic industry is or is not being injured.

The State Department conducted hearings on proposed new tariff changes on a number of products, including window glass, in May and June 1950. Since that time, the Korean War broke out and domestic and world events have changed so rapidly it was found necessary to declare a national emergency. We are faced with a possible third war and are attempting to cooperate to the fullest extent with all branches of the Government. We have incurred greater increased costs of production; we are operating under restrictions placed on new building construction with more restrictions certain to follow. Automobile production, one of our most important outlets, is being sharply curtailed and if matters worsen, will be completely stopped.

Imports from Czechoslovakia and from Belgium are increasing rapidly under present duty rates and such foreign-made glass is being sold throughout markets of the United States at from 10 to 30 percent below our lowest price.

All of these facts with detailed supporting data have been submitted to the State Department and other departments concerned with tariff matters, notwithstanding which, we are informed the tariff negotiations at Torquay are being carried to a conclusion with Belgium and Czechoslovakia.

In conclusion, it is recommended that the trade-agreements law be repealed. If this be not practical or possible, then it is recommended that at least three of the amendments adopted by the House of Representatives be retained with necessary clarifications as hereinbefore set forth. It is further recommended that an amendment be adopted to provide that no tariff tinkering or further tariff reduction should be permitted or countenanced on any product important to the national security.

Finally, any system of tariff changing which may be adopted should provide for adequate judicial review by interested parties including restoration of the right of American manufacturers to obtain court review of import classifications under section 516 (b) of the Tariff Act of 1930.

Respectfully yours,

T. A. NELSON, *Manager.*

The CHAIRMAN. I also insert in the record at this point a statement submitted by Mr. Lewis R. Parker on behalf of the Woven Woolen

Felt Industry and a letter from Mr. Albert M. Greenfield, President of the Chamber of Commerce of Greater Philadelphia.

(The statements are as follows:)

STATEMENT OF LEWIS R. PARKER ON BEHALF OF THE WOVEN WOOLEN FELT INDUSTRY

My name is Lewis R. Parker. I am the president of the Albany Felt Co., Albany, N. Y., and I appear before your committee as chairman of the tariff committee of the woven woolen felt industry and on behalf of that industry.

The woven woolen felt industry consists of 11 companies which manufacture practically all of the woven woolen felts produced in the United States. The principal use of these felts is in the manufacture of paper and they are used to carry thin layers of wet pulp from one part of a paper-making machine to another, transporting the pulp through successive series of rollers which press the water from the pulp to form paper. These felts are absolutely essential to the production of pulp, paper, paperboard, and other similar products and all paper-making machines require these felts in order to manufacture paper. The felts manufactured by the industry are also essential in the production of such products as textiles, leather, nonferrous metals, electrical equipment and other products vital to our defense program.

The woven woolen felt industry in the United States is about 100 years old. It has a gross annual output of approximately $21 million and employs more than 3,500 persons, most of whom are very highly skilled and are old employees of the companies engaged in the industry. Woven woolen felt mills are located in New York, Maine, Ohio, Pennsylvania, Massachusetts, Wisconsin, and New Jersey.

Woven felts such as are required on paper machines cannot be manufactured by mass production but must be made to the exact individual specifications of the paper machine on which they are to be run. The lengths of the felt vary between 20 feet and 280 feet while the widths vary between 30 inches and nearly 300 inches. Felt making is a highly specialized procedure and requires an unusually high degree of skill in its labor force.

The felt industry has, in what it considers to be its duty in attempting to increase the American standard of living, paid the highest wages in the textile industry throughout the world. It offers the steadiest employment in the textile industry and encourages the development of a highly skilled and remarkably stable labor force. The industry has a long history of relatively peaceful labor-management relations as a result of free collective bargaining.

In this industry, labor constitutes an extraordinarily high percentage of the manufacturing cost of the finished product. Of course, with many American products, the argument is constantly made by the proponents of free trade that the mechanization of American industry more than compensates for the high labor costs in making a finished product. However, mechanization cannot compensate in our 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 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. Our workers realize this and in many appearances which we have made before the Committee for Reciprocity Information have joined with us in attempting to have that Committee retain the tariffs which were then in effect for the products which we manufacture. These appearances have been in vain and tariffs have continued to be lowered ever since the passage of the Reciprocal Trade Agreements Act.

Between 1935 and 1946, the ad valorem duty on felts was reduced by approximately 50 percent, a greater general cut than that imposed on any other part of the woolen industry. At the present time, in Torquay, England, the State Department is negotiating a further reduction in tariffs on the products of our industry. The State Department has always answered our contentions that the tariff should not further be reduced by stating that the industry has not been injured by prior reductions in duties because imports of foreign felts have not increased appreciably. However, prior to the Second World War, foreign felt makers were attempting to develop a market in the United States and were obtaining initial success with a consequent increase in the import of cheap foreign felts. Of course, during the Second World War, and the first few years after the war, there were no extensive imports because the foreign industry was not producing to its full capacity and further because the products were being consumed in their own countries. However, at the present time, due to the dollar shortage abroad,

foreign importers are attempting to sell in the American market to as great an extent as possible. Because of the devaluation of foreign currencies their products can easily compete with the domestic product and the existing tariff provides little protection to our industry.

Proponents of proposed reciprocal trade agreements also seek to justify reductions in tariffs on products of the woven woolen felt industry on the highly theoretical ground that the reduction of these tariffs contribute to the expansion of world trade by promoting the expansion of foreign markets for our products. Of course, this doctrinaire approach can be easily answered by pointing out that in the United States there are only about 700 paper mills using the products of the woven woolen felt industry. Each mill has a fixed number of machines. Thus, each foreign felt consumed by an American paper producer would mean one less felt sold by our industry to the American paper mill industry; a cut in tariffs would not permit the American felt industry to participate in an expanded market; it would simply provide the domestic industry with a diminishing participation in a limited and inflexible market. On the other hand, there can be little increase in exports of the products of the woven woolen felt industry because such exports are inhibited by the differential in labor costs which has made it impossible for United States produced felts to compete in the world market since long before there was any dollar shortage.

I appear here today in opposition to the extension of the Reciprocal Trade Agreements Act because I know that this committee does not wish to see important segments of American industry driven out of business. The woven woolen felt industry believes that it has suffered sufficient damage as a result of the trade-agreements legislation and that that legislation should not be extended beyond its present life. However, if this committee sees fit to recommend the extension of the trade-agreements legislation, we strongly urge that it insist upon the provisions put in the bill by the House of Representatives with particular reference to the peril point and the escape clause. We are satisfied that the tariff reductions on woven woolen felts have surpassed the peril point and that any unprejudiced body of men such as the tariff commission would so determine. The peril-point provision will only help to carry out the statement made by President Roosevelt, in his message to Congress on March 2, 1934, requesting enactment of the trade-agreements legislation by giving "assurance that no sound and important American interest will be injuriously disturbed." Furthermore, we believe that the escape clause provision placed in the bill by the House of Representatives would furnish some protection to us in the event that further reductions are sought. Unless these provisions remain in the bill, the fate of the woven woolen felt industry will continue to depend solely upon the unchecked whim of the officials who are charged with the negotiation of new trade agreements. We urge this committee not to leave us to such a fate.

I wish to thank you gentlemen for your courteous attention and for allowing me to appear before your committee.

CHAMBER OF COMMERCE OF GREATER PHILADELPHIA,
February 26, 1951.

Senator EDWARD MARTIN,
Senate Finance Committee,
Room 310, Senate Office Building,
Washington, D. C.

DEAR SENATOR MARTIN: Acting on recommendations of our world trade council, the Executive Committee of the Chamber of Commerce of Greater Philadelphia went on record in 1948 as favoring the unamended extension of the reciprocal Trade Agreements Act for a 3-year period. This position was taken only after extensive study and careful consideration of the subject.

The same thought and attention has been regularly given to this program in the intervening years right up to the present time. This has led to a firmer conviction than ever before held that the reciprocal trade agreements which this country has concluded since 1934 with other nations throughout the world have done more toward furthering the foreign-trade policy of the United States than any other single program. The benefits which have accrued to us as a result of these agreements have been great and numerous as the record clearly shows.

It is likewise strongly felt that the act itself, in its present form, is well devised and constructed and more than satisfactory for the continued operation of the program. The degree of success which has been achieved under the act in its present form would never have resulted if this had not been so.

In view of these considered opinions, this organization strongly urges that the Senate approve extension of the Trade Agreements Act for a 3-year period in its present form. The amendments to the present act passed by the House of Representatives are definitely felt to be totally unnecessary and would, in fact, constitute a serious threat to the successful continuation of the trade-agreements program.

It will be sincerely appreciated if you will officially record our position with the committee.

Yours very truly,

ALBERT M. GREENFIELD,
President.

The CHAIRMAN. I will call Mr. Loos.

STATEMENT OF KARL D. LOOS

Mr. LOOS. Mr. Chairman and gentlemen of the committee, I am Karl Loos.

The CHAIRMAN. You may be seated, if you wish to.

Mr. LOOS. Thank you. I reside in Washington, and I am appearing on behalf of the California Fruit Growers Exchange of Los Angeles, and the California Walnut Growers Association, the California Almond Growers Exchange, and the Northwest Nut Growers.

These are organizations which market considerably more than half of all of the citrus fruits and all of the tree nuts that are produced in the west coast area.

These organizations had scheduled separate witnesses for each organization for today, but in view of the crowded schedule of the committee, and in conformity with the chairman's suggestion, I am appearing on behalf of all except the Northwest Nut Growers, for whom Mr. Melden is also here this morning and will speak briefly later on.

I would like to discuss principally the section 22 amendment, as we call it, which we want to propose for the consideration of the committee, but before doing that I would like to mention briefly some of the other amendments in which we are also very much interested, and indicate what our position with respect to them is.

On the peril-point amendment, we support that, of course, and I am sure that has been adequately discussed in the record here to date.

The escape-clause amendment, section 7 of the pending bill, we also support, and we also support section 6.

I think the escape clause has also been discussed at considerable length, but I would like to give just one illustration of a situation where escape will be needed for one of our commodities, and that is lemons.

The duty on lemons was reduced at Annecy by 50 percent, from 2½ cents to 1¼ cents a pound, and the principal competitor, in fact the only competitor, is Italy.

Half the lemons of the world commercially are grown in California and Arizona, and the other half in Italy.

We have about 8 percent of the population of the world in Canada and the United States, where our market for American lemons is. Italy has the opportunity, at least, to serve the rest of the world in their requirements for lemons.

That duty was reduced as a concession to Italy, and I think the committee may be interested to know, if it does not already know, what the Italian version of the concessions made by Italy was in the Annecy agreement.

I have here a press release from Milan, issued on May 22, 1950, saying that Italy's new general customs tariff is to come into force on the 1st of June simultaneously with the tariff agreement of Annecy. Under the new tariff the average rate of import duties will be increased from the present level of 12 percent to 28 percent.

Then it goes on to explain that because of the Annecy agreement, instead of going up to 28 percent immediately they are only going to go to 20 percent, so the concession that Italy made at Annecy, according to their own official announcement, meant that they increased from 12 percent to 20 percent, and the only concession was that they did not go on up to 28 percent immediately.

I have here a complete excerpt of that statement which I would like to submit for the record, if I may, and if the committee thinks it might be interested in having all of it.

The CHAIRMAN You may submit it to the reporter, and it will be placed in the record.

(The excerpt referred to is as follows:)

[Excerpt from: Bank for International Settlements, Press Review No. 98]

ITALY—THE NEW CUSTOMS TARIFF

BASLE, *May 22, 1950.*

N. Z. Z., 20/5 MILAN.—Italy's new general customs tariff is to come into force on 1st June, i. e., simultaneously with the tariff agreement of Annecy. Under the new tariff the average rate of import duties will be increased from the present level of 12 percent to 28 percent. However, at the present stage of the OEEC's trade liberalization efforts and of the discussions regarding the creation of a European payments union, it would not appear to be necessary yet to apply the new tariff in full. It will therefore be brought into force gradually. The coming into force of the part of the new customs tariff based on the Annecy agreement may not, however, be postponed. The imminent introduction of the customs duties agreed upon in Annecy—which average 20 percent—will be interesting as the first practical application of part of the new general tariff. As to the other items of the tariff, the Government will presumably fix their final rates in accordance with the decisions and recommendations of OEEC and after considering the effects of the tariff reform on the internal market. With regard to the raising of the average customs duty to 28 percent, the Foreign Trade Ministry takes the view that, the resulting disadvantages will be offset by the abolition—already effected or still planned—of import quotas under the Government's policy of trade liberalization. The quantitative release of imports represents a threat to the monopoly-like situation of a number of import enterprises; further, it may be expected that competition will cause a leveling out of import prices at a lower level.

The CHAIRMAN. You may proceed, sir.

Mr. LOOS. Now, we also support section 8 of the bill.

Senator TAFT. May I ask, were there any specific reductions on specific things that were of interest? I suppose that is a general average.

Mr. LOOS. That is a general average, Senator, and there were some reductions, and I do have a record of them but not here. I cannot recall any specific items, but there were some specific items on which there were reductions, in spite of the increase in the general tariff, but the average of all was the increase from 12 to 20 percent, according to their announcement.

Senator TAFT. Well, unless we know that the things that come from this country are covered by it, I do not think it would be of much help. If you have any statement of that sort, I think that would be helpful.

Mr. LOOS. That is quite true.

The CHAIRMAN. I suppose that it will be available to us?

Mr. LOOS. That can be determined, but I do not have the record here. I will be glad to try to determine it.

Senator TAFT. I don't mind using this argument, but I don't think it is very effective unless it relates, the increase relates, to the kind of things we are shipping.

Mr. LOOS. I agree with you, that it would be much more effective, if we could determine the average rate on the articles that are exported to Italy by the United States, and I will see if that can be done. I don't know if that is possible.

Now, as to section 8, we think that that section should be amended because, as it stands now, it applies only to those commodities for which there are price support programs, as I understand it.

We think that it is just as important to protect other agricultural commodities which are selling below parity from disruptive foreign competition as it is to protect those which are selling below parity and are being supported.

Senator MILLIKIN. Are you referring to parity or support—well, there would not be any support price in what you are talking about?

Mr. LOOS. No, as soon as you go above parity there is no support price.

Senator MILLIKIN. I think you are drawing a distinction when you say parity between those commodities under the support price level which are already covered under section 22, and those which are not covered, and to those commodities you are putting parity as the test?

Mr. LOOS. Yes, sir, Senator Millikin, except that section 22 does not relate to price supports primarily. It relates to various programs of the Department of Agriculture, including price support, but it also includes various other programs.

Senator MILLIKIN. You said that there is a large field of agricultural commodities which are not under price support, so therefore you cannot attach a price support test to something that does not exist, but you do have a test for parity, and parity is proclaimed for every agricultural product?

Mr. LOOS. That is correct, and I will read the revision as we would suggest it for the committee's consideration:

> No reduced tariff or other concession resulting from a trade agreement entered into under this section shall apply with respect to any imported agricultural commodity when a like or similar competitive agricultural commodity produced in the United States is selling within the United States at prices below parity prices (as determined from time to time by the Secretary of Agriculture).

And it might be that perhaps instead of full parity prices that it would be appropriate to make some percentage of parity as the test.

We also want to support——

Senator KERR. What agricultural products do you have in mind that you hope to help by this amendment?

Mr. LOOS. Well, the products, of course, for which I am speaking are citrus and tree nuts.

Now, there are many other products of specialty crops that are not under agricultural programs at present, but which are selling below parity.

Senator KERR. Which are subject to competition from imports?

Mr. LOOS. Yes.

Senator KERR. For instance, such as what?

Mr. Loos. Mushrooms is an example.

Senator Taft. And you just mentioned lemons?

Mr. Loos. Yes, lemons, of course, are under the marketing agreement, and that would be protected by section 22 without section 8, but there are quite a number of commodities. You can pick out dates, figs, olives, all kinds of commodities that are selling below parity that are not under any price support or any other program that would bring them under section 22.

Senator Millikin. Mr. Chairman, I would like to make reference to an editorial in yesterday's Washington Post, and I quote:

> In his review of Current Trends in Foreign Trade Policies, Dr. Henry Chalmers of the Department of Commerce notes that 1950—

and then he goes on, and there are some references to things that the Doctor has noted, and now I skip and come to the last part of it, in the interest of brevity:

> According to Dr. Chalmers, this near-closure of the dollar trade gap "resulted less from the increased value of importations into the United States than from the decline in foreign purchases of American goods from their abnormal height during the earlier postwar years."
>
> The export decline stemmed from a number of causes: (1) A tightening of import restrictions by certain countries.

I repeat:

> A tightening of import restrictions by certain countries; (2) the weaker competitive position of American goods in foreign markets following currency devaluation; (3) reduction in Marshall plan aid; and (4) the increased availability of European goods, reflecting increased productivity under the stimulus of the recovery program.

The purpose of the reciprocal-trade agreement was to increase exports, while also increasing imports?

Mr. Loos. Yes. We also support the amendment suggested by Senator Holland, which relates primarily to perishable commodities.

I think there is some overlapping between that amendment and section 8, and it will be for the committee, of course, to determine how big a field they want to cover, and section 8 and the Holland amendment probably will be considered together, but we want to make it clear that we are very much in sympathy with that and support it, as that would apply to our fresh fruits and vegetables, if they should be in such a situation that they were not under marketing programs at the particular time of action.

That brings me then to section 22. Section 22 is known, I am sure, to all of you by that designation as the section of the Agricultural Adjustment Act enacted May 12, 1933, and continued with a considerable number of amendments since, and authorizes the imposition of quotas on imports of agricultural commodities when those imports will interfere with programs which the Department of Agriculture has under operation.

Now, the amendment in the form in which we urge it upon your consideration is in the form of a bill which has been introduced by Senator Magnuson and Senator Morse, S. 983. It was introduced February 27, 1951. That bill is exactly the same, or I should perhaps say substantially the same. I think there is a change of one word—it is substantially the same as the amendment to section 22 which was before the Senate on a number of other occasions.

On one occasion in 1948, when that proposed amendment to section 22 passed the Senate, I should say in 1949, rather, by a vote of 44 to 28, and again in 1950 it was approved unanimously by the Committee on Agriculture, when it was considering the Commodity Credit Corporation bill to extend the borrowing power of that Corporation, and the proposal was reported by the committee. It passed the Senate, and went to conference, where the conferees changed the language to the present language of the section, the principal controversy being with respect to the language of paragraph "f", the last paragraph of that section which now reads, or which says in effect that the section shall not be used in contravention of any trade agreement.

The proposal at that time was to change that language to say that the trade agreements and treaties shall not be entered into in contravention of section 22, and that is the proposal, as we submit it now.

That conference report was debated at considerable length in the Senate, as perhaps you will remember, and it resulted in a tie vote, and on the vote of the Vice President the conference report was sustained.

I mention that simply to show that this subject has been before the Senate on at least these two previous occasions, and the Senate itself has expressed by an overwhelming majority its preference for this form of section 22.

I believe, Mr. Chairman, in the debates in 1950 you suggested that this subject more properly belonged to this Committee on Finance and, of course, it came before the Committee on Agriculture when it was up in connection with the Commodity Credit Corporation bill.

Now we think that this is a subject which can very properly be considered at this time in connection with the trade agreements legislation, and it is our understanding that Senator Magnuson intends to recommend to this committee that his bill be adopted as an amendment to the bill now pending before this committee, and we urge and support that very, very strongly.

I want to make just a brief argument in support of our position on this, because I don't think it has been covered very fully by any witnesses appearing in support of the amendment, although I believe the subject was discussed at some length when Senator Millikin cross-examined Secretary Brannan the other day.

The CHAIRMAN. The Federal Farm Bureau Federation suggested an amendment striking out subsection (f).

Mr. LOOS. Well, we think that would be wholly inadequate, Mr. Chairman, and we disagree vehimently with the Farm Bureau on that point.

I want to call attention to the fact that the spokesman for the Farm Bureau Federation did quote a resolution of the Farm Bureau which included the statement that section 22 should be restored to full effectiveness by an amendment to provide that no international agreement shall be entered into by the United States or renewed or extended in contravention of section 22.

Now he may have felt that the striking of that paragraph (f) would accomplish that because of the representations which were made by the State Department to the Senate Agricultural Committee at the time the Credit Commodity Corporation bill was before it.

But I say to you that those representations have been contradicted by the State Department in the representations they have made to the

Tariff Commission in the tree nut investigation which is pending, and about which Senator Millikin asked Secretary Brannan, and as I understand it, while I did not hear the testimony that day, I did read a transcript of the record, and that indicates that the Senator requested the Department of Agriculture and the Department of State to file copies of the memorandums, to file with the committee copies of the memorandums they had submitted respectively to the Tariff Commission on the subject.

Now, those representations are the principal points which I want to make in connection with the necessity for this revision of section 22.

When Mr. Brown appeared before the Senate Agricultural Committee in the hearings in Commodity Credit Corporation bill, March 21, 1950, S. 2826, he made these statements and this, of course, is just a brief quotation, but I am sure that these quotations will bear out the substance of what he said could be done under the section 22 as it then existed, which then provided:

> Nothing shall be done under section 22 that is in contravention of a treaty or trade agreement.

Mr. Brown said, that a quota—and I am quoting:

> A quota on agricultural imports in any case whe re we are supporting the prices of the commodity in this country, and when we are restricting our own domestic production.

He said that that kind of quota could be imposed. He also said that the quota could be imposed—

> where limitation on domestic market there should also be a limitation in the import.

He further said—

> A quota at any time we are disposing of our agricultural surpluses—in free-lunch program or under a stamp plan.

He was referring to the section 32 programs, and I am sure he left the impression that in any section 32 program——

Senator MILLIKIN. Do you mean 22?

Mr. LOOS. No, 32, when you have a section 32 program then a quota under section 22 could be imposed to support the section 32 program.

The CHAIRMAN. He did, and he said that again the other day.

Mr. LOOS. Yes, sir, and he said also that the imposition of a quota—and I quote:

> Imposition of a quota or a fee at any time where the imports of the commodity were causing or threatening any serious injury to the domestic production.

Now, that is plenty broad enough. If all those things could be done that would be sufficient, but what could they say, or what do they say, now they say to the Tariff Commission and to us:

> You cannot have a quota because GATT, article XI of the General Agreement on Tariffs and Trade limits you.

They say that this General Agreement on Tariffs and Trade, article XI has been confirmed and approved by the Congress of the United States, although it has never been formally before this body, before the Senate or the House, either, but they say because in 1948, in the amendment to the Agricultural Act, you passed this amendment of section 22 which said that nothing shall be done under section 22 in contravention of a trade agreement or treaty, that that

was an affirmation of GATT, although GATT only purports to be a mere recommendation of the contracting parties to their respective governments.

And then they say that when you passed the extension of the Trade Agreement Act in 1948, I believe it was, and again in 1949, the last time for 2 years, that on those occasions you affirmed and approved article XI of GATT and all the rest of GATT, although in your own committee report you distinctly said that you were not doing any such thing.

But I say to you that the State Department and the Tariff Commission, and the other branches of the Government, with the possible exception of the Agricultural Department, have accepted the view that GATT has been approved by the Congress, and at any rate, they are enforcing and applying the terms of article XI and other terms of GATT, just as though it has been approved by the Congress.

And when you come to that, they say that under that, "Oh, no, you cannot have a quota, unless you have price support and production control and you are really keeping things out of the market."

But they say when you have a section 32 program, or some other program like you had on potatoes, where you were making some of them into alcohol, and the alcohol goes into the market, nothing is being kept off the market. They are saying the same thing on the tree nut program where we made walnuts and almonds into oil that brought a return of only a mere fraction of what the commodity itself would bring if it could have been sold, if it had not been in such surplus that it could not be sold on the market. They say when you convert those into oil under section 32 program, under which the Government paid a couple of million dollars just a little over a year ago as a subsidy to make possible that diversion, they say, "No, you cannot have a quota to support that program, because that is going into the market in the form of oil."

Now, I submit that this position that the State Department has taken on GATT is nothing more nor less than a circumvention of Congress and it is the executive department going ahead with something that they were afraid to come to Congress with for approval for the ITO, they got the same thing substantially into GATT, they claim you have improved it by implication or by inference, and they are going ahead just as though you had formally approved it.

Senator MILLIKIN. I may say that is exactly why we put those caveats in our report in 1948 and in 1950, so that that would not happen.

Mr. LOOS. Yes, sir, and in spite of that they have taken this position, and I say the only way in the world that you are ever going to get this question cleared up so that the American farmers can get the benefit of what Congress intended section 22 to do for them, to give them quotas to protect these agricultural programs and protect the Government, as well as the farmer, and the only way you are ever going to do it is to pass an amendment like this section 22, and amend section 22 so as to say directly and unequivocally that nothing shall be done in the trade agreements that contravenes the provisions of section 22.

That is our proposal and that is the thing we sincerely hope you will adopt.

Now, I wanted to illustrate that by this pending application on tree nuts, and by the way, Senator Millikin, you asked Secretary Brannan how many section 22 investigations there had been. This section 22 investigation on tree nuts was the last, and it was numbered 4. There had been only three others that had gone to the point where the Commission formally instituted an investigation.

Senator MILLIKIN. And I also asked how many applications there had been and he could not tell me that.

Mr. LOOS. I may say that our first application for a section 22 program on tree nuts was filed November 17, 1938. Nothing was done on that except they did give it consideration.

We filed another one on March 25, 1940, but before action could be taken on it the war conditions came along and the need for it was past, momentarily, until the termination of the war.

Now, we filed our last application on September 10, 1948, and on April 13, 1950, the investigation was instituted, the hearing was held in June, and the decision was rendered last November.

Now during all of this period in 1948 and 1949 we were under programs, marketing agreement programs, section 32 programs, and the Government was spending two or three million dollars in that period to divert almonds, walnuts, and filberts into channels of trade outside the normal channels, and that was when, of course, we greatly needed these programs.

Senator KERR. Is the present market on tree nuts exceptionally low?

Mr. LOOS. The present market on tree nuts for the moment is exceptionally high.

Senator KERR. That is what I thought.

Mr. LOOS. And that is why I came to that, that is why I am saying during the time we filed this in 1948, and during 1948 and 1949, when we needed these programs they were investigating and holding the hearings, and so on—I am not being critical about that—but it did just happen when they came to decide it on November 24 of 1950 that by reason of the short crop of almonds, due to a freeze they had in California, and by reason of a moderate crop of walnuts and a short crop of pecans, by reason of a short crop of Turkish filberts and improved marketing conditions in general, it was quite uncertain in November whether we really needed this program or not.

The CHAIRMAN. I think we get your point, sir.

Mr. LOOS. So we told the Tariff Commission that we would like to have the matter held in abeyance until we could see what would develop.

Now, what has developed? The development has been that although the almond control board in figuring their marketing plans under the almond marketing agreement estimated an importation of 5 million pounds of almonds for this year, there have been up to date 11 million pounds imported. They are importing at the rate of 20 million pounds, which is two-thirds almost, of the total domestic crop.

On January 1 the almond industry had in its possession unsold one-third of the crop; since January 1 by reason of these tremendous imports they have hardly turned a wheel, they have not sold a million pounds total, and it looks as though we are coming right up to the end of the crop year with a tremendous carry-over of American-grown almonds, and all the market being supplied by the foreign almonds. This is the time when we desperately need section 22

relief, but the Tariff Commission and State Department are saying no, you cannot have it because of these terms of GATT.

Senator MILLIKIN. Under the terms of GATT, one of the terms of GATT, we have to reduce our domestic production proportionate with the reduction that is accomplished by the quota, is that not correct?

Mr. LOOS. That is the way they construe it. I don't think GATT means that, but that is the way they construe it.

Senator MILLIKIN. That is the way they construe it. All right. Now, let's assume the ordinary crop that is planted and harvested within a single year, or maybe several crops planted and harvested within a single year, let's assume that such crops could be adjusted to a proportionate program of the kind that has been described. Just let us assume it. You cannot adjust tree crops to that kind of a program, can you?

Mr. LOOS. No, sir.

Senator MILLIKIN. Unless you want to have a lot of wastage in fruits and nuts, is that not correct?

Mr. LOOS. That is absolutely correct. You certainly could not do any adjusting in the production of the trees.

Senator MILLIKIN. It matures in how long a time—does it take 3 to 4 years?

Mr. LOOS. Five to six years until they are full-bearing, and then they go on for many years.

Senator MILLIKIN. You cannot tear out the trees and adjust every year to one of these proportionate arrangements in GATT.

Mr. LOOS. No, sir; it is absolutely impossible, and it is impossible to regulate the production on the tree even, because of the variations in weather and climate and so on.

Senator MILLIKIN. If you do have a good crop year that means that you would have a lot of wastage in spoilage.

Mr. LOOS. Yes, sir, unless we were given the American market and when we do have a good crop then we have this marketing agreement in force, and it restricts the marketing to what the domestic market will take, it allows reasonable importations equal to the base that is provided for in section 22.

We say under those conditions the section 22 quotas should be automatically imposed. Instead of doing what they do now, put us through all kinds of hearings and then come out with an answer that GATT, because Congress approved it, cannot permit us to have the quota.

Senator KERR. What do the imports of almonds amount to—or rather, where do they come from?

Mr. LOOS. Italy and Spain.

The CHAIRMAN. You have suggested the amendment you favor?

Mr. LOOS. Yes, sir.

The CHAIRMAN. And you read it into the record?

Mr. LOOS. I refer to the bill which Senator Magnuson has offered, S. 983. That is the amendment we favor.

The CHAIRMAN. Yes, sir. All right.

Mr. LOOS. Now, I think that I might also refer to the fact, if I may, that the Tariff Commission itself suggested the section 22 approach when the almond people went before it on a section 336 investigation. That is one relating to the difference between the cost

of production at home and abroad, and on that investigation the Tariff Commission, after a long and exhaustive study, and they did an excellent job in making the investigation, the staff did a tremendous job, they arrived at a cost of production in the United States and they determined what the costs were for American production. But they arrived at the conclusion, after going through all that, that they could not determine the costs abroad because it was impracticable for a field trip to be made to Italy to determine those costs; and secondly, that they could not use the invoice values, although the invoice prices have been used as the measure of the foreign costs of production in many section 336 cases.

The minority report in that case disagreed and said that the invoice prices should have been used and that on that basis the almond duties should have been increased.

Senator KERR. What is the duty?

Mr. LOOS. The duty on almonds is 5 cents a pound unshelled and 15 cents a pound shelled.

Senator KERR. Is that after the concession or is the concession——

Mr. LOOS. There has been no concession, there has been no concession on almonds—5½ and 16½—I stand corrected—there has been no concession on almonds, Senator. That is one of the few commodities that has escaped the act so far, and that is the only reason, of course, why we could apply for a section 336 investigation, because if there had been a concession section 336 would no longer be open to us.

Now, the Tariff Commission said the majority report, they said in making that determination that they could not ascertain the costs, and I was going to quote you that—oh, yes, here it is:

> In connection with this report it may be noted that, under section 22 of the Agricultural Adjustment Act, the President may impose restrictions additional to the present duty on imports of almonds (1) if there should be a marketing agreement with respect to almonds; and (2) if it should be determined by the President after investigation by the Tariff Commission that the imports materially interfere with the operation of the marketing agreement—

and since the marketing agreement's very purpose is to maximize the prices to the growers, there isn't any way in the world that you can avoid the conclusion that those imports seriously interfere with the program, when they amount to 20 million pounds a year, almost two-thirds of the domestic crop.

I think that adequately covers what I want to say on section 22, and I submit——

The CHAIRMAN. Well, our time has just about expired.

Mr. LOOS. I would like to refer, if I may, just for a moment to two other amendments. One is what is known as the Knowland amendment to a previous bill, and that amendment would require the termination of trade agreements when a foreign country withdraws a substantial part of the concessions that have been made in consideration of the concessions that we have made.

It would require the termination of that agreement and the withdrawal of those concessions, that is embodied in H. R. 1211 of the Eighty-first Congress, and is shown as an amendment, rather, intended to be proposed to H. R. 1211 offered by Senator Knowland under date of April 19, 1949.

We also ask that the committee give consideration to striking out from the provisions of section 2 of the present Trade Agreements Act the sentence that provides that section 336 and section 516 (b) shall be no longer available to commodities with respect to which a trade agreement reduces the duty.

Section 336 is the cost investigation I referred to and section 516 (b) is the provision that gives the American producer or the American competitor access to the courts to test the validity and propriety of the rates of duty that are applied on imports, and we think it is wholly unreasonable and un-American that we, who are affected by reductions that are made by the tariff authorities in the negotiation of trade agreement, we think it is inequitable that we have been denied access to the court on the same basis that other competitors of imported goods have that access.

I thank the members of the committee very much for this opportunity to appear before you.

(Statements submitted by Mr. Loos on behalf of the California Walnut Growers Association, California Almond Growers Exchange, California Fruit Growers Exchange, Exchange Orange Products Co., and Exchange Lemon Products Co., follow:)

STATEMENT BY THE CALIFORNIA WALNUT GROWERS ASSOCIATION

This statement is submitted by the California Walnut Growers Association on behalf of the entire domestic "white or English" walnut industry, located in California, Oregon, and Washington.

Inasmuch as this industry has had repeated and costly first-hand experiences with the Reciprocal Trade Agreements Act, it presumes to speak with authority in strong opposition to the expiring act and its administration, and in supopr t of H. R. 1612 with certain further modifications to be discussed herein.

Stated concisely, the industry's position is as follows:

It recognizes the importance of a healthy international trade and agrees that if the United States expects to export it must also import; however, it insists that to inflict serious injury upon any substantial group of domestic producers incident to the pursuit of the above objective is to render a disservice to the entire economy.

It supports the broad principle underlying the Reciprocal Trade Agreements Act but continues to oppose the existing legislation with all the energy at its command.

It favors H. R. 1612 but recommends certain changes and additions to the safeguarding provisions written into the bill during its passage by the House.

It strongly supports the so-called "peril point" provisions.

Likewise, it favors the "escape clause" provision, subject to strengthening and clarification.

It heartily supports the fundamental objective of section 8 of the bill but urges that protection from tariff concessions be extended to agricultural commodities selling at below-parity levels and not merely to those for which price support is available.

Finally, the walnut industry requests inclusion in the bill of a provision amending section 22 of the Agricultural Adjustment Act to remove the restrictions imposed in 1948 which forbid the imposition of import quotas in so-called contravention of the provisions of trade agreements.

THE WALNUT INDUSTRY

About 18,000 growers depend entirely or in part upon walnuts for their livelihood. Some $250,000,000 are invested in orchards, plants and equipment, and approximately 40,000 workers are employed in production and processing, not counting farm owners themselves. The farm value of the crop ranges from 25 to 30 millions annually.

The greater part of the industry lies in California, which has 85 percent of the acreage and accounts for over 90 percent of the production. The balance is in Oregon and Washington.

The California Walnut Growers Association, which submits this statement, is a farmer-owned cooperative of 11,000 growers which markets nearly 80 percent of the California crop and 70 percent of the entire coast crop, orchard-run basis. Its Diamond Brand is a leader among nationally distributed food products.

By the '30's walnut production had reached a point which not only satisfied all domestic demand, but also left substantial annual surpluses. To control the latter, the industry developed its marketing agreement and order program in 1933, under authority of Federal law and with administration by the Secretary of Agriculture. Since that time, 299,560,000 pounds of surplus in-shell walnuts have been diverted to shelling, export and the manufacture of industrial oil, at prices ranging from 25 to 75 percent of those obtainable from the normal market for merchantable in-shell walnuts.

During this 18-year period, excepting the World War II years, returns to growers averaged only 61 percent of parity and to assist growers, over and above the operations of the Federal marketing order program, the Government made diversion payments totaling $11,069,527 and also purchased for lend-lease and school lunch purposes $1,500,000 worth of shelled walnuts. The largest single disbursement was made in 1950–51, when $2,938,846 was paid to compensate for the diversion of 28,000,000 pounds of walnuts to low-return industrial oil. These walnuts would normally have been shelled, but heavy domestic production plus a record-breaking importation of shelled walnuts under a low duty resulting from a cut in half at Geneva, forced the sacrifice.

In brief, the walnut industry presents a clean cut case of an agricultural industry which has been burdened by surpluses, has operated for many years under Government program, has been the beneficiary of many millions of Government money, and has been highly vulnerable to import competition; yet which, in the face of all this, was the victim of a 50-percent reduction in tariff protection under trade agreement negotiations in 1948 and was deluged by a flood of competitive imports in 1949–50 as a result.

ADMINISTRATION OF TRADE AGREEMENTS PROGRAM HAS BEEN PREJUDICED AND INCONSISTENT WITH FARM POLICY

All academic and theoretical considerations to the contrary notwithstanding, common sense dictates that one arm of Government should not be permitted to undo the work of another, particularly when the economic lives of industries are at stake and the public in general is called upon to pay the bill. Without adequate restraints and statutory safeguards, administration of the act under State Department domination has glaringly demonstrated an inconsistency and an indifference which demands correction by the Congress.

There are strong objections to the adjustment of tariff schedules by direct and detailed congressional action, and the walnut industry concedes their validity. Political pressures and logrolling tactics are admitted barriers to the development of sound tariff rates and import controls.

But if these be objectionable, isn't it equally dangerous to place unrestricted power to reduce tariff rates by as much as 50 percent in the hands of the State Department and President who are avowedly dedicated solely to tariff reductions?

By the very nature of the law and its administration there is little of the unbiased, scientific and judicial judgment which should characterize tariff adjustments. Industries whose products appear on RTA bargaining lists cannot help but feel they've been prejudged and that the filing of briefs and their appearances in defense of their tariff schedules are purely perfunctory. Agriculture, even if ably represented on the Committee for Reciprocity Information, is outvoted by the zealous proponents of free trade who have little regard for consequences.

It is a cherished principle of democratic government that only expertly qualified and unbiased judgment should characterize any proceeding in which the integrity or the economic welfare of an individual or an industry is at stake. It must be clearly evident that the State Department is not unbiased with respect to tariff matters. It is dedicated to tariff reduction and perhaps even to elimination, and certainly cannot qualify as an expert in agricultural economics. As has already been indicated, the treatment accorded the walnut industry under the act in 1947–48 most emphatically bears out these contentions.

American walnut growers faced difficult marketing problems prior to and after the war. Production was in excess of demand at prices which hardly kept the industry solvent. Acreage had remained static under the pressure of surpluses and uncertainties. Import competition in the form of shelled walnuts from China and the Mediterranean exerted steady downward pressure on prices. Before the

war, the shelled walnut tariff of 15 cents per pound amounted roughly to 35 percent of domestic wholesale price levels. After the war, with price levels subject to sharp inflationary influences, the same duty came to only 20 percent or so of wholesale values. Before the war the Government had made assistance or diversion payments of $8,130,681 to the industry. In 1948, the Commodity Credit Corporation bought for the school-lunch program 1,740,000 pounds of shelled walnuts representing surplus from the 1947 crop for which there was no market.

Yet, at that same time and in the face of the industry's surplus position and its dependence for solvency upon the marketing order program and other assistance, the Administration listed shelled walnuts for negotiation at Geneva and granted a 50-percent-duty reduction to China which, under the most-favored-nation principle, was extended to all the other walnut-exporting countries of the world, including such heavy producers as France, Italy, and Turkey.

No stone was left unturned in the industry's defense of its protective tariff. A comprehensive brief was filed, a copy of which can be made available to the committee if it wishes. While the brief was prepared by the association, it was signed also by the principal commercial packers in the industry, the Oregon cooperative, and representative groups in the pecan, almond, and filbert industries who were vitally concerned because of the competition existing to a greater or less degree among all nuts. Following that, personal appearances were made before the Committee for Reciprocity Information. The industries failed to sway the State Department—and shelled walnuts remained on the bargaining list. The general manager of the California Walnut Growers Association then went to Geneva in the hope of forestalling a tariff concession but failed.

In the agreement with China, the shelled-walnut duty was cut from 15 cents to 7½ cents per pound on the first 5,000,000 pounds in any calendar year. This volume limitation was of little practical consequence, because it represented over twice the annual import volume during 1935 to 1939, inclusive. As a final effort, all Pacific-coast Congressmen but two petitioned the President to strike the walnut-tariff concession from the agreement before affixing his official approval, but to no avail.

In 1949–50, after the tariff cut and coincident with a record domestic crop, a flood of imports arrived—over 6,000,000 pounds, the largest importation in 20 years, most of which came in at the decreased duty. Worse still, over two-thirds came from Communist China and sold at 20 cents per pound, or 30 percent, below domestic prices. To help growers cope with this situation, the Department of Agriculture paid out $2,938,846 in compensation for the diversion to paint oil of 8,456,738 pounds of edible kernels of domestic production. Incidentally, the return from this low-value outlet was only 2 to 4 cents per pound.

Thus, in willful disregard of this segment of the domestic economy, the State Department and President used their unrestricted powers to cut half the tariff support from a substantial American horticultural industry and forced an expenditure of nearly $3,000,000 of public funds by way of relief to domestic growers. China eventually repudiated the agreement, and under pressure the State Department revoked the walnut tariff concession and the duty is now returned to 15 cents. But this quirk of circumstance does not alter the facts under discussion here.

From this recital of first-hand experiences, your Committee will readily understand why the walnut industry pleads for adequate safeguards in any trade agreements law which may be enacted by this Congress. To again extend power of economic life or death over import-vulnerable industries to the executive branch of Government, without adequate limitations and escapes, violates all domestic principles.

PARITY AND PERIL POINT LIMITATIONS; ESCAPE CLAUSE

Section 8 of the bill provides a safeguard designed to protect crops under price supports. Commendable as this objective may be, only a relatively few crops would be favored if a narrow definition of "price supports" prevails. Conceivably, crops like walnuts which are under marketing agreements and orders would not be relieved of dangers incident to trade negotiations. Consequently, it is urged that the section be amended to extend exemption to below-parity crops, or to crops under other kinds of Government programs—not simply price-support programs narrowly defined.

The case of the walnut industry, already covered in some detail, dramatizes the need for such protection, because neither the cold facts of an industry's economic position nor intervention by the Secretary of Agriculture can be counted upon to prevail against the determination of zealots in State and other departments of Government. Even granting that a vulnerable industry might protect

itself in the course of the preliminary proceedings, there should be some relief against repeated threats.

The walnut industry has been forced to defend itself formally on three occasions—twice in the mid-thirties and again in 1947–48 as described. Basic facts and economics were essentially the same in both periods. The defenses were successful in the first two instances, but under the urge of postwar international problems and assuming a "mandate" of some sort, the tariff cutters were emboldened to hit walnuts again and this time gained their objective. The point is, the expenses of making proper showings is considerable, to say nothing of the risk.

Not only does this cost factor apply to formal proceedings, but to the threatening sword that hangs over the head of a vulnerable industry every time a fresh negotiation is announced. For example, even after Geneva, the walnut and other domestic nut industries made strenuous efforts, costly in time and money, to keep their products off the lists at Annecy and Torquay. In this they were only partly successful. Therefore, there is ample justification for statutory reassurance to subparity industries, or at least to those in whose welfare the Department of Agriculture has a stake in the form of price support, marketing order or other programs.

It is noted that Secretary Brannan has objected to section 8 of the bill on the grounds that an inflexible, mandatory formula might seriously embarrass existing agreements or affect the integrity of any made subsequently. While there may be some point to his criticism, section 8 would seem capable of such revision as would remove many of his objections and at the same time provide adequate protection for vulnerable industries. For example, the restriction might well be applied only to the parity position of a commodity at the time an agreement is under negotiation. Once the agreement is made, the provisions of section 8 would not apply. However, in the event of a price decline to subparity levels, in which imports exerted an influence, relief could then be had under a proper escape clause provision.

The peril point provisions of the bill are extremely important. True, if a satisfactory section 8 were enacted, the walnut and many other agricultural industries would be assured of adequate protection from ill-advised negotiations; however, the fundamental concept behind the peril point provision is of such importance as to give primary importance to this particular issue.

In passing the Reciprocal Trade Agreements Act in its past and present form, Congress surrendered to the executive branch much of its traditional and constitutional authority to make tariffs and tariff policy. The President and State Department had repeatedly pledged themselves to tariff reductions—by 50 percent and later by 50 percent of the remaining 50 percent. There was no middle ground. Congress signed over a blank check on that basis, the only saving features being the relatively short extension periods which have generally prevailed and a shortlived peril point provision in 1948–49. However, during this latter period the State Department studiously avoided completing any agreements.

It is conceded that Congress should not be directly burdened with tariff ratemaking. Even so, it must accept the responsibility, or better still, regain its prerogative to establish a trustworthy procedure by which standards and limits for tariff adjustments are definitely set forth. The peril-point provision does that, and the walnut industry's experience last year before the Tariff Commission in connection with a section 22 import quota proceeding prompts confidence in that body's ability to perform the service which the amendment calls for.

To delegate to the State Department, which for all practical purposes has dominated the scene, a complete freedom to reduce tariffs by 50 percent, frequently in contravention of domestic agricultural support policies and without any standards and limitations, is as dangerous as it is unfair and unsound. The State Department is not unbiased, nor is it expert in the field of agricultural economy. There are ample grounds for the belief that the trade agreements program has often been used, with domestic industries as pawns, simply to further the international political ends of the Department without regard to consequences at home.

The above may be considered a rather strong statement. It is meant to be, in the light of bitter experience. The walnut industry cannot help but cast a vote of "no confidence" in the tariff-making skill or integrity of the State Department, and pleads with Congress to incorporate in the Reciprocal Trade Agreements Act those procedures and safeguards which contribute to making tariff adjustment a carefully considered, unbiased and expert undertaking.

The escape clause provision is a vital part of the safeguarding mechanism. Even the President appears to have recognized this in the Executive order relative

to trade-agreement provisions, but unfortunately the clause now in use leaves much to be desired and is susceptible of varying interpretations and even of evasion. It is necessary, therefore, that Congress spell out the provisions of an escape clause and clearly set forth the conditions and methods governing its application. The walnut industry strongly endorses this portion of the bill.

SECTION 22 AMENDMENT

Finally, it is appropriate that the long overdue repairs to section 22 of the AAA be incorporated in this bill. In this connection, it is recalled with considerable satisfaction that on two previous occasions, by overwhelming vote, the Senate passed such legislation only to have it lost in conference committee. And it will also be recalled that even the 1950 conference committee report, in which this so-called Magnuson-Morse amendment had been stricken from the CCC appropriations bill, was nearly refused by the Senate, the Vice President having cast the deciding vote.

Section 22 was wisely conceived by Congress, though seldom used by an Administration which appears to have determined to its own satisfaction that when domestic programs run afoul of international trade policies the latter must prevail. It is only the better part of sense that once the Government has embarked upon domestic agricultural support programs, many of them costly, protective action should be undertaken when imports impede or threaten to impede their success. But in 1948 a "sleeper" amendment was passed which, subject to varying interpretations, would have the effect of nullifying section 22 in cases where any quota limitation was construed to be in contravention of a trade agreement.

The legislative history of the past 2 years' efforts to rectify the situation is too fresh and extensive to bear further repetition here. To encourage one arm of Government to undo the work of another is manifestly absurd. The Congress must make a choice. Either the Department of Agriculture's programs must be upheld and protected against the damaging effects of excessive imports, or the international bargainers may as well be given free rein and section 22 be repealed.

Tariff protection is important in helping maintain price stability at levels which give domestic industries a chance to remain prosperous—at least solvent. There are times, however, when duties alone are insufficient, and volume controls must be imposed. Dollar-hungry nations with low wage and living standards can frequently jump American tariff barriers at will and in heavy volume, particularly when inflation raises price levels in this country. Under such conditions the brakes must be applied.

Section 22 contemplates that no quota shall be set at less than half the volume imported during a representative base period, and the walnut industry, for one, accepts this as reasonable. There is no inclination to shut off walnut imports completely, but simply an urge to maintain a tariff structure which will bring import prices closer to those which domestic producers must obtain to protect their economic lives, together with a section 22 which will permit regulation of import volume in those years when excessive supplies hazard the satisfactory operation of surplus control programs under the marketing order.

In passing H. R. 1612, the House exhibited a heartwarming response to an aroused public opinion which, while friendly to the basic idea of trade agreements, is no longer inclined to sign blank checks for use by admittedly prejudiced departments of Government. The walnut industry respectfully, but vigorously, appeals to the Senate to refine and expand H. R. 1612 to cover all the bases, so to speak, in a manner fair to all concerned and with assurance of efficient application and administration.

Surpluses of merchantable in-shell walnuts diverted to export and shelling under Federal marketing order

	Surplus percentage of total supply	Surplus poundage	Percentage of parity returned to growers		Surplus percentage of total supply	Surplus poundage	Percentage of parity returned to growers
	Percent		*Percent*		*Percent*		*Percent*
1933-34	30	21,750,000	70	1942-43	10	7,470,000	71
1934-35	30	22,420,000	57	1943-44 [1]			103
1935-36	30	35,370,000	62	1944-45			94
1936-37	25	16,360,000	62	1945-46			100
1937-38	35	32,070,000	53	1946-47			88
1938-39	20	17,550,000	69	1947-48	20	18,180,000	55
1939-40	35	31,090,000	52	1948-49	10	9,760,000	61
1940-41	15	11,120,000	69	1949-50	30	35,100,000	51
1941-42	35	35,130,000	65	1950-51	10	[2] 6,390,000	[2] 60

[1] During war period when prices were at or near parity, the surplus control program was suspended.
[2] Estimated.

Source: Walnut Control Board, administrative agency under the order.

Shelled walnut production and imports

	Domestic shelled walnut production	Imports of shelled walnuts		Domestic shelled walnut production	Imports of shelled walnuts
	Pounds	*Pounds*		*Pounds*	*Pounds*
1933-34	6,788,000	5,550,000	1942-43	11,814,000	124,000
1934-35	9,676,000	5,414,000	1943-44	14,270,000	13,000
1935-36	9,486,000	3,650,000	1944-45	15,850,000	11,000
1936-37	10,972,000	5,412,000	1945-46	15,415,000	477,000
1937-38	15,812,000	3,996,000	1946-47	16,172,000	938,000
1938-39	12,441,000	4,404,000	1947-48	18,468,000	542,000
1939-40	20,026,000	4,344,000	1948-49	15,338,000	2,878,000
1940-41	13,719,000	4,640,000	1949-50	20,043,000	6,204,000
1941-42	26,857,000	1,892,000	1950-51 [1]	14,000,000	3,000,000

[1] Estimated by California Walnut Growers Association.

Source: Walnut Control Board, administrative agency under the order.

Statement by the California Almond Growers Exchange

Acting on behalf of more than 100,000 Californians who draw their livelihood from the production, processing, and marketing of almonds, the California Almond Growers Exchange takes this means of expressing its continued opposition to the extension of the Reciprocal Trade Agreements Act without the inclusion of protective amendments designed to safeguard the essential interests of the American producer.

Specifically, California's almond growers and producers of many other California specialty crops are concerned with protective amendments which will (*a*) establish a sound and workable means of determining peril points in advance of any trade negotiations: (*b*) the establishment of a workable escape clause which will remedy the obvious weakness of the so-called escape clause presently applying, under which 19 of 20 appeals for relief have been denied; and (*c*) an amendment reconciling national farm policy with reciprocal trade policy, and setting up sound and workable procedures under which import quotas may be applied not only to basic and Steagall commodities but to all commodities operating under Federal marketing agreements and orders, and/or making mandatory the adjustment of tariff rates to insure that United States market prices on the imported agricultural product will be not less than the domestic support price, or parity, or a reasonabel percentage thereof.

In this respect, section 8 of H. R. 1612 constitutes a valuable step in the right direction, but should be broadened to include commodities not presently under direct price support, thereby effecting a full reconciliation between farm policy and tariff policy.

The exchange is a cooperative, nonstock, nonprofit association of almond growers whose membership produces approximately two-thirds of all American-grown almonds. As spokesman for the multimillion dollar California almond industry, the exchange is not unacquainted with the workings of the Reciprocal Trade Agreements Act and with the consequences thereof. Since 1934 the meager tariff protection under which the California industry has increased its production to a tonnage approximately equal to the level of national consumption has been put on the auction block on no less than four occasions. Since 1934 the industry has existed under constant jeopardy, and this grower organization has been put to substantial expense, both in time and money, to defend the industry's tariff position. There is also clear indication that the basic intent of our national farm policy has been frustrated by the absence from the present Reciprocal Trade Agreements Act of specific machinery whereby upward adjustments, and, in the case of agricultural production, import quotas, may be applied as required by changes in such economic factors as labor costs, foreign currency manipulations, and domestic market conditions.

This matter will be discussed later in this statement in a review of the almond industry's petition for an upward adjustment as authorized by section 336 of the Tariff Act of 1930, and of the industry's application for import quotas under section 22 of the Agricultural Adjustment Act.

The practical workings of a sound tariff policy may be seen in the development of the California almond industry following the application of realistic tariff schedules to almonds in the Underwood Tariff Act of 1921. With the increase in import duties from 3 to 4¾ cents on unshelled almonds, and fiom 4 to 14 cents on shelled almonds, the California grower found it possible to compete with the tonnage produced under cheap labor conditions abroad. Total acreage in 1920 was 35,044 acres. Ten years later, in 1930, total acreage was 76,412 acres. Total production increased from 6,000 tons in 1920 to 13,500 tons in 1930.

The adjustment of almond tariffs with the adoption of the Tariff Act of 1930 resulted in rates of 5½ cents unshelled and 16½ cents shelled, and brought about a continued expansion of the domestic industry through the period of the 1930's, an expansion which was accelerated by the unavailability of Mediterranean imports during the period of World War II when the burden of supplying domestic consumers and manufacturers was met almost entirely by the production from this State.

Today almonds are California's third largest deciduous tree crop in point of acreage, being exceeded only by prunes and walnuts. Present almond acreage is now 95,276 acres in bearing, with approximately 15,000 acres of young orchards still to reach maturity. For the 5-year period, 1946–50, average production was 36,200 tons, with an average farm value during this period of $17,005,000.

It is noteworthy that almond production is an important economic activity in 41 of California's 58 counties.

At key points throughout California, the California Almond Growers Exchange maintains a string of 20 receiving warehouses in addition to warehouses and plants maintained by other California packers. In Sacramento the exchange operates a five-story concrete-and-steel processing plant which has been called the most efficient and modern of its kind in the world. The exchange's membership has an investment of more than 2 million dollars in this plant, and annual payrolls exceed 1 million dollars. The plant affords employment to some 1,500 Sacramento residents during a substantial portion of the year.

The total investment by all factors in the industry, including processing plants, warehouses, orchards, and orchard equipment, is currently estimated in excess of 250 million dollars.

This, then, is the domestic industry which has sought unsuccessfully for adequate safeguards against the damaging effect of uncontrolled imports produced by peasant and coolie labor in overseas areas. This is one of the industries which some of the reciprocal traders would liquidate.

It is this viewpoint, so often expressed by advocates of the reciprocal trade program, which most deeply disturbs California's producers of almonds and nearly a dozen other specialty crops. Frequent references have been made to what have been loosely called inefficient industries. Still other advocates of reciprocal trading have left no doubt as to their ultimate purpose of establishing a system of free trading in the broadest sense, totally ignoring those differences in domestic and foreign production costs and labor scales which have been the basic factors in the determination of tariffs for many years.

California almond producers are deeply disturbed by these viewpoints, and are further disturbed by the obvious inconsistency between the Nation's stated farm

policy and the policies pursued by those administering the Reciprocal Trade Agreements Act.

According to a 1948 report by the Tariff Commission entitled "Operation of the Trade Agreements Program," it is apparent that agriculture has been the chief target.

Comparing the record of agricultural tariff cuts prior to 1947 and those made in Geneva in that year, we find that 83.6 percent of all duties on agricultural imports have been lowered, on an average by 50 percent.

The inconsistency of such a general reduction in agricultural tariffs is obvious when one considers the many and varied programs by means of which the United States Department of Agriculture seeks to promote the economic welfare of the Nation's farmers. The prices of one or more of the so-called basic commodities have been supported at various levels since 1933. By virtue of the Steagall amendment of July 1, 1941, price support at a minimum of 90 percent of parity was extended to a further list of commodities, and a third category set up which included some 140 commodities not included in either of the first 2 groups.

Section 4 (b) of the act of July 1, 1941, declared it to be the policy of the Congress that lending and purchasing operations of the Department of Agriculture be carried out so as to bring the price and income from the production of nonbasic, non-Steagall commodities to a fair parity relationship with the basic and Steagall commodities. Accordingly, price-support programs have been undertaken, primarily with section 32 funds, for numerous commodities in this category, among them almonds, walnuts, filberts, and pecans.

The conflicts between the price-support and subsidy programs of the Department of Agriculture and the general tariff-cutting program carried out without restriction under the reciprocal trade-agreements program have been well illustrated by the experience of the various edible tree-nut producers, including almonds.

During the prewar years, 1935–39, imports of domestic-type nuts (walnuts, almonds, and filberts) exceeded 13 million pounds. During the same year the Government subsidized the export of an average of about 8 million pounds of in-shell nuts each year and the diversion of approximately 14 million pounds in-shell annually to byproduct uses, in each case the programs being devoted primarily to walnuts. On a shelling basis, these quantities represented about 75 percent of the annual imports of the domestic-type nuts.

In considering the harmful effects of the reciprocal trade program on the almond industry, it must be realized that almonds, filberts, walnuts, Brazil nuts, and cashews are generally interchangeable, both for consumer use and for manufacturing purposes, and that consequently the past reductions on walnuts and filberts and foreign-produced Brazil nuts and cashews have directly affected the marketing of almonds and all other domestically produced tree nuts.

A review of grower returns during the immediate postwar period shows an abrupt decline in average returns from $720 per ton in 1945 to an average return of $330 per ton in 1949, which figure was approximately 47 percent of the 1949 parity price.

During this same period, imports of cashew nuts increased from 14,135,000 pounds in 1945 to 38,341,000 pounds in 1949, with a similar trend in Brazil-nut imports from 8,255,000 pounds in 1945 to 19,243,000 pounds in 1949. In each case these importations, which displaced almonds for various manufacturing uses could have been materially greater had it not been for reported shortages of labor in the areas in which Brazil nuts and cashews are harvested, mostly from uncultivated wild trees.

It is significant that cashew nuts enter the United States practically duty-free and that the inconsequential duty of 2 cents per pound, established in 1930, was reduced by 25 percent in reciprocal trade negotiations at Geneva in 1948. Similarly, Brazil nuts have come in practically duty-free, but in this case the nominal duty of 1½ cents a pound was cut 50 percent in 1945 and an additional 50 percent in 1948.

More important have been the reductions made on domestic types of tree nuts despite the strenuous opposition of the domestic producers. Tariff rates on shelled filberts were cut 20 percent in 1939. An ill-conceived concession in walnut tariffs was also granted in 1948, over the protests of the United States Department of Agriculture which was then engaged in section 32 operations for walnuts. Only after the cancellation of existing trade treaties by the Communist Government of China in 1950 was this walnut concession withdrawn, and then only after some months of delay.

Concessions which have stimulated importations of all these nuts have directly affected the marketing of the domestic almond crop. Even more pertinent, perhaps, is the fact that the domestic almond industry, after having tremendously increased its production by means of cultural practices during the war years, and after having substantially satisfied the entire domestic demand for almonds during this period, has been drastically damaged by direct importations of almonds beginning in 1944, when Italy was eliminated as a belligerent power.

The record for these years shows average almond imports for the 5-year period, 1944–48, of 13,250,000 pounds, an increase of 239 percent over the prewar average of 5,554,000 pounds during the period 1935–39.

It is during this period that returns to the California grower declined more than 50 percent and reached their 1949 level of 47 percent of parity. During this entire period the California Almond Growers Exchange, as spokesman for the industry, made strenuous efforts to secure relief from excessive importations which largely reflected the disruption of the normal European markets for the almond tonnage produced in the Mediterranean area.

Specifically, these efforts included an application for a section 336 tariff increase, which will be discussed shortly; an application made jointly with organizations representing the producers of all other domestic-type tree nuts, asking the imposition of import quotas; an application for countervailing duties, which were applied by the Treasury Department to Government-subsidized imports from Spain but which were removed without public explanation on November 15, 1950; a request for punitive duties authorized under the Antidumping Act of 1921. In each instance, except for the short-lived application of the countervailing duty, the industry's requests for relief were denied. In each instance, the request appeared to lead to an embarrassing solution at variance to the free trade policies of the advocates of the reciprocal trade-agreements program.

In July of 1949, faced with insuperable marketing difficulties, the almond industry voluntarily accepted a Federal marketing order setting up the machinery whereby a portion of the California crop could be withheld from trade channels and diverted to byproduct uses at the discretion of a Control Board and with the approval of the Secretary of Agriculture. Under the terms of the present Reciprocal Trade Agreements Act, no similar restriction can be placed on imports of almonds to the United States. The situation leading to the adoption of the Federal marketing order, and a specific example of the damaging effect of excessive imports, may be illustrated by the following record of the industry's experience with the 1949 crop.

The trouble started in 1948. During November and December of that year, heavy importations from the Mediterranean area were the direct cause of an abrupt decline in almond prices, averaging nearly 30 percent. Carry-over tonnages of California almonds precluded the possibility of a market recovery, and the industry entered the 1949 season with the prospect of an all-time record crop and with a considerable carry-over from the preceding season.

Opening prices on the 1949 tonnage were down more than 25 percent from the low levels of the preceding season. Widespread distress selling occurred in the field, with substantial blocks of almonds figuring in barter deals for other merchandise. A serious situation for the industry was averted only by the action of the United States Department of Agriculture in authorizing a surplus diversion program in November of 1949.

The total tonnage diverted to byproduct uses in this program amounted to only 2.5 million pounds, yet the removal of this nominal tonnage from trade channels was sufficient to stabilize the market and to bring the growers' average returns at least equal, in a majority of cases, to production costs.

During this entire period the industry sought without success to secure a reasonable control over importations, both through adjustment of the existing tariff and through the imposition of quotas.

Earlier in this statement we have referred to the need of amendments to the present Reciprocal Trade Agreements Act to provide specific legislation whereby upward adjustments and import quotas may be applied. The experience of the almond industry well illustrates these defects in the present legislation.

To summarize briefly, we would cite the application filed by this organization on behalf of the industry on July 8, 1948, requesting an upward revision in almond tariffs as authorized by section 336 of the Tariff Act of 1930.

During September and October of 1948, representatives of the Tariff Commission conducted a survey to determine almond production costs in California. Their findings coincided closely with the cost of production figures previously

established by Dr. R. L. Adams of the Giannini Foundation for Agricultural Economics and professor of farm management at the University of California.

Public hearings were held on December 3, 1948, in an effort to determine the then current differences in production costs here and abroad, on which differences the adjustment of the tariff would presumably be based.

On November 10, 1949, the Tariff Commission published a 72-page, printed booklet reporting its inability to "make findings as to almonds under section 336 of the Tariff Act owing to the fact that the available evidence on cost of production in the principal competing country (Italy) does not disclose adequate information on which to base a finding of cost of production of almonds in that country."

Two commissioners dissented from the majority statement and expressed the opinion that an increase in the duty on shelled almonds from 16.5 cents per pound to 16.7 cents, to 19 cents or to 22 cents was justified, depending on the method used to compare costs.

Since the Commission's report was published, Dr. Adams of the University of California conducted a 7-month survey of agricultural production costs in the Mediterranean area, with particular reference to almonds, citrus and certain other California crops. His data were published by the Giannini Foundation and were offered for the Tariff Commission's study during the spring of 1950.

The Commission has declined thus far to accept Dr. Adams' findings as to production costs in the Mediterranean area and has shown no disposition to conduct any similar investigation which would make possible a final decision on the almond industry's request for an adjustment of the tariff rate. Needless to say, Dr. Adams' figures on Italian production costs compared with the California cost figures developed by the Commission fully justified a substantial increase in the present rate.

Dr. Adams' survey showed, significantly, that the California growers' steady increases in production costs are largely the result of increases in the cost of labor. His survey in the Mediterranean area revealed Italian labor costs of approximately $1.20 per day in 1949. This may be compared to California labor costs of approximately $12 per day for the same period.

In view of this wide disparity in labor costs, the viewpoint of those who declaim about "inefficient industries" may be deemed unworthy of serious discussion unless, as a matter of national policy, we are to accept the liquidation of industries other than those applying assembly line production methods, or the drastic reduction of average wage levels and living standards.

Earlier in this statement reference has been made to the need for procedures under which import quotas may be established and the conflict between national farm policy and reciprocal trade policy reconciled. We believe it can hardly be argued that restrictions should not be applied to the importation of a commodity when the domestic producers of that commodity are accepting similar restrictions governing the merchantable proportion of their production. The difficulty of securing remedial action under the terms of the present act, and the specific need for an amendment similar to the Magnuson amendment introduced in 1950, will be illustrated by the following record.

On September 10, 1948, the exchange joined with the California Walnut Growers Association, the Northwest Nut Growers (filberts) and six pecan producer organizations in requesting the establishment of import quotas in accordance with provisions of section 22 of the AAA. Three times denied and three times appealed, the application reached the investigation stage in April, 1950, when the President, at the request of the Secretary of Agriculture, ordered the Tariff Commission to proceed. Public hearings were held in Washington June 27 and 28, 1950, nearly 2 years after the initiation of the original appeal. On November 24, 1950, an interim report was submitted to the President in which the Tariff Commission deferred the imposition of import quotas on almonds and other edible tree nuts, but indicated that the investigation would be held open for further consideration if at any time the situation should so change as in the judgment of the Commission to warrant consideration of positive action.

In its report, the Tariff Commission's estimate as to the position of almonds laid some stress on the fact that 1950 quotations on almonds were "75 percent above those of November 1949." The Commission apparently did not take into consideration the fact that grower returns from the 1949 crop proved to be less than 50 percent of parity, nor the fact that distress conditions in November of 1949 were the direct reason for the United States Department of Agriculture diversion purchase announced on November 18 of that year.

The study also failed to note that the recommendation of the Almond Control Board concerning the merchantable percentage of the 1950 crop had been predi-

cated upon the limitation of imports to 5,000,000 pounds for the season. At the time the report was published, imports had reached a total of 7,000,000 pounds, and have now reached a total of nearly 12,000,000 pounds, with the result that this organization in January 1951, filed an application with the Department of Agriculture for a section 32 diversion program applying to 1950 almond tonnage rendered surplus by the excessive tonnages imported during the current season to date. Also, on February 20, 1951, the exchange petitioned the Tariff Commission to reopen the import quota investigation and to proceed to establish such quotas.

It is from this background of experience with the administration of the reciprocal trade agreements program that the exchange, on behalf of the entire California almond industry, respectfully urges the Congress to clarify the language of the act and to insert amendments along the lines of those suggested on page 1 of this statement. The political character of this act, and the disregard of those administering the act for the economic facts affecting the welfare of the American producer clearly indicate the necessity for the establishment of specific machinery for relief if the life of the Reciprocal Trade Act is to be extended.

STATEMENT BY F. R. WILCOX ON BEHALF OF CALIFORNIA FRUIT GROWERS EXCHANGE, EXCHANGE ORANGE PRODUCTS CO., EXCHANGE LEMON PRODUCTS CO.

In behalf of their farmer members, the California Fruit Growers Exchange, Exchange Orange Products Co., and Exchange Lemon Products Co., respectfully present their views with regard to the proposed extension of the trade agreements program, H. R. 1612.

We vigorously urge the adoption of the safeguarding amendments that have been incorporated into the bill, specifically:

The peril point amendment, sections 3, 4, and 5.

The excape clause amendment, section 7.

The amendment to protect farm products for which price support is available, section 8.

We further urge the incorporation of amendments that will more nearly effectively safeguard agricultural programs of the Government. We particularly favor adoption of amendments such as the Magnuson-Morse amendments to section 22 of the AAA, S. 983, that will make mandatory the protection of the agricultural programs of the United States Department of Agriculture, strengthen its quota provisions, make protection of agricultural programs mandatory where injury from imports is substantiated, and that will make sure that the provisions of section 22 shall not be contravened by trade agreements.

We strongly urge amendment that will make section 336 of the Tariff Act of 1930 effective. We further urge that the peril point amendment be further strengthened by making it mandatory upon the President, i. e., that he shall not cut below the peril point.

We strongly oppose extension of the Trade Agreements Act without the above vital safeguarding amendments.

The California Fruit Growers Exchange is a grower-owned cooperative marketing association, with a membership of some 14,000 growers, with 230,000 acres in the States of California and Arizona. These growers own and operate 188 packing houses shipping fresh fruit to market, and five processing plants producing products from fruit not shipped fresh.

The Exchange Orange Products Co. and the Exchange Lemon Products Co. are separate corporations owned and operated as above described. The products include natural strength juice, concentrated juice, frozen juices, other juice products, pectin, oils, citric acid, and other products.

Our grower members produce, prepare for market, sell and process through their own organizations more than two-thirds of the California and Arizona citrus fruit crops, one-fourth of the United States crop, and one-eighth of the world crop.

The citrus industry produces the Nation's largest tree fruit crop. These fruits and their products have become staple articles of everyday diet. They are essential to the health, happiness, and well-being of millions of our people. This industry views with alarm the effect H. R. 1612 will have on all of us if it should be enacted into law without the requisite amendments to effectively safeguard the security of the Nation, its industries, its economy, and the American worker.

Citrus fruits have been known from antiquity, although they did not become internationally important in commerce until modern transportation developed sufficiently improved techniques to make it possible to insure rapid delivery over long distances in satisfactory condition. During the first half of this century the American citrus crop has approximately doubled each 10 years.

The United States orange crop is over three times as large as 25 years ago, the lemon crop over twice as large, grapefruit over four times as large, and the total citrus crop between three and four times as large.

During the past 3 years the world citrus crop averaged around 350 million boxes, of which the United States produced about 170 million. In round numbers the world orange crop averaged 270 million boxes, the United States crop 110 million. The world lemon crop was about 26 million; the United States crop between 11 and 12 million boxes. The world grapefruit crop ran about 52 million boxes; United States 48 million. The world lime crop was between three and four million boxes, of which this country produced less than a quarter million.

The following three tables itemize the growth of world and United States citrus crops during the past 25 years, and show the quantitative relationship of the United States crop to the world.

Estimated world citrus fruit production, 1924–25 to 1950–51

[Million boxes]

Crop year	Oranges (1)	Lemons (2)	Grapefruit (3)	Limes [1] (4)	All citrus (5)
1924–25	107.4	20.0	10.7	1.3	139.4
1925–26	123.6	23.0	9.9	1.4	157.9
1926–27	126.2	25.5	11.2	1.4	164.3
1927–28	123.2	21.1	10.3	1.4	156.0
1928–29	150.6	23.9	14.0	1.4	189.9
1929–30	138 9	24 4	13.1	1.4	177.8
1930–31	168.6	26.3	20.2	1.7	216.8
1931–32	171.5	22.2	16.9	1.7	212.3
1932–33	183 0	28.6	16.4	1.7	229.7
1933–34	169.5	23 7	16.5	1.7	211.4
1934–35	189.1	26.0	23.5	1.7	240.3
1935–36	184.9	22.2	20.9	1.8	229.8
1936–37	194 5	20.7	34.0	1.9	251.1
1937–38	210.2	23 3	34.5	2.2	27.02
1938–39	227.6	27.9	47.0	2.5	305.0
1939–40	218.3	27.2	37.3	2.4	285.2
1940–41	233.9	32.9	44.6	2.9	314.3
1941–42	217.7	27.2	41.9	2 6	289.4
1942–43	228.6	30 8	53.0	2 6	315.0
1943–44	235.8	25 3	59.3	2.8	323.2
1944–45	263.9	24.2	55.3	3.4	346.8
1945–46	250.3	25.7	66.6	3.2	345.8
1946–47	259.2	26 6	63.4	3.4	352.6
1947–48	275.6	28.1	66.1	3.4	373 2
1948–49	266.6	23.6	49.4	3.3	342.9
1949–50	268.2	25.0	40.6	3.5	337.3
1950–51	291.4	26.5	51.6	3.4	372.9

[1] Source of data: USDA, OFAR, PMA, BAE, except limes for 1924–25 estimated by California Frui Growers Exchange, and limes for 1925–26 to 1934–35 based on 5-year averages reported by USDA.

Citrus fruit production in the United States during the same period has developed as shown in the following table:

United Status citrus fruit production, 1924–25 to 1950–51

[Million boxes]

Crop year	Oranges (1)	Lemons (2)	Grapefruit (3)	Limes (4)	All citrus (5)
1924–25	30.0	5.3	9.7	(1)	45.0
1925–26	34.8	7.3	8.6	(1)	50.7
1926–27	39.6	6.9	9.8	(1)	56.3
1927–28	32.7	5.4	8.9	(1)	47.0
1928–29	56 2	7.6	13.2	(1)	77.0
1929–30	31.8	6.1	13 2	(1)	49.1
1930–31	35.1	7.9	18.7	(1)	81.7
1931–32	49.9	7.7	15.2	(1)	72.8
1932–33	51.6	6.7	15.0	(1)	73.3
1933–34	47.2	7.3	14.7	(1)	69.2
1934–35	64.0	10.8	21.3	(1)	96.1
1935–36	52.1	7.8	18 3	(1)	78.2
1936–37	54.5	7.6	30.7	(1)	92.8
1937–38	74.3	9.3	31.1	0.1	114.8
1938–39	78.5	11.1	43 6	.1	133.3
1939–40	75.7	12.0	35.2	.1	123.0
1940–41	85.5	17.2	42.9	.1	145.7
1941–42	85.2	11 7	40.3	.1	137.3
1942–43	89.3	14.9	50.5	.2	154.9
1943–44	106 6	11.1	56.1	.2	174.0
1944–45	113.2	12.6	52.2	.2	178.2
1945–46	104.4	14.5	63.4	.2	18.25
1946–47	118.5	13.8	59.5	.2	192.0
1947–48	114 5	12.9	61.6	.2	189.2
1948–49	104 0	9.9	45.5	.2	159.6
1949–50	108.5	11.4	36.5	.3	156.7
1950–51	110.7	12.5	45.3	.3	168.8

[1] Less than 50,000 boxes.

Source: USDA, BAE.

The relative importance of the United States in world citrus production is shown in the following table:

Percent United States crop of world citrus crop, 1924–25 to 1950–51

[Percent]

Crop year	Oranges (1)	Lemons (2)	Grapefruit (3)	All citrus (4)
1924–25	27.9	26 5	90 7	32.3
1925–26	28.2	31.7	86 9	32.1
1926–27	31.4	27.1	87.5	34.3
1927–28	26 5	25.6	86.4	30 3
1928–29	37.3	31.8	94.3	40 5
1929–30	22 9	25 0	85.5	27 6
1930–31	32.7	30.0	92.6	37.7
1931–32	29 1	34.7	89.9	34.3
1932–33	28.2	23 4	91.5	31.9
1933–34	27 8	30.8	89.1	32.7
1934–35	33 8	41.5	90 6	40.0
1935–36	28 2	35.1	87.6	34.0
1936–37	28.0	36 7	90.3	37.0
1937–38	35.3	39 9	90.1	42.5
1938–39	34.5	39.8	92.8	43.7
1939–40	34.7	44.1	94 4	43.1
1940–41	36 6	52.3	96.2	46.4
1941–42	39.1	43.0	96 2	47.4
1942–43	39 1	48.4	95 3	49 2
1943–44	45.2	43.9	94.6	53.8
1944–45	42 9	52.1	94.4	51.4
1945–46	41.7	56.4	95.2	52.8
1946–47	45.7	51.9	93.8	54.5
1947–48	41.5	45.9	93.2	50.7
1948–49	39 0	42.4	92.1	46.5
1949–50	40 5	45.6	89 9	46.5
1950–51	38.0	47.2	87 8	45.3

Source of data: Computed from the preceding tables.

Although the United States has only 7 percent of the world population they produce approximately half of the world citrus crop; between 40 and 45 percent of all the oranges, almost 50 percent of the lemons; between 90 and 95 percent of all the grapefruit, and somewhat less than 10 percent of the limes.

Many years of national advertising, much of it educational in character, medical research, home economics departments of newspapers and magazines, and personal experience, almost all of our citizens have become well conversant with the characteristic food uses of these fruits. For many years the American housewife has appreciated the health and nutritive value of citrus fruits. Oranges, lemons, and grapefruit have long since graduated from the luxury to the necessity class, and staple commodity class, both pricewise and foodwise.

Domestic markets have not been able to absorb in fresh form all of the increase in production in either oranges, lemons, or grapefruit. This has resulted in large surpluses, overloaded markets, and unprofitable prices.

Heroic efforts have been made to increase consumption, widen domestic distribution, and develop export markets by advertising and extensive research in cooperation with the Departments of Agriculture and Commerce. Much has been done to stabilize domestic markets by industry marketing orders and agreements under authority of the AAA. In cooperation with the Federal Government the industry has established and maintained proration of shipments by quantity, by grade, and by size in order to prevent the demoralized marketing situations that otherwise would have occurred with distressing frequency and ruinous results. Still surpluses have persisted.

Twenty years ago 95 percent of the orange crop was sold for consumption in fresh form. Ten years ago the figure had dropped to 88 percent. In recent years less than 60 percent of the orange crop has been shipped fresh. Canning operations have created a giant new industry overnight, particularly in the frozen concentrated orange juice deal. This operation started in 1946 with a total pack of 226,000 gallons. It passed the 2 million gallon mark in 1948, jumped to over 12 million gallons in 1949, to 26 million gallons in 1950 and is still growing. Other forms of canned orange juice are important but are not showing such spectacular growth. The nonfrozen concentrated juice seems to have leveled out at around 5 million gallons yearly.

Canned grapefruit juice has been an important part of that industry for 10 to 12 years. The operation started about 20 years ago. By 1940 it had expanded to 11 million cases of 24 No. 2 cans per case. It reached a peak of 26 million cases in 1946, but has dropped to 17 million cases in recent years. Grapefruit has not made any material development in the concentrate process. Some 25 to 30 years ago practically all of this crop was marketed fresh. Ten years ago only 50 percent went to fresh markets, the rest was canned, processed, discarded, or left on the trees. In 1948 only 40 percent was shipped fresh.

There has been a surplus of lemons over fresh-market requirements for a great many years. Until recently there has been no outlet for this surplus except in byproducts form for other than human consumption. Canned lemon juice has made important gains in the last 3 years. This year the industry expects to process over 3 million boxes of lemons in juice products.

The total pack of citrus juices is now over 50 million cases annually, or more than half of the total United States pack of all fruit and tomato juices. We call this to your attention because the citrus canning industry has not been of sizable proportions for much over 10 years. It is still undetermined to what greater extent the market for canned citrus juices can be developed, to what extent they will merely compete with fresh citrus. It is still touch and go as to whether this operation can be made profitable to the grower under ever-increasing cost of production, manufacturing, and distribution.

It is a certainty that there is no profitable byproduct outlet other than juice. Other byproducts outlets are important because some part of the cost can be recovered out of the surplus fruit which has already been produced.

Export markets, other than Canada, have become uncertain and rather small outlets. Exports of oranges from the United States during the 1949–50 season totaled 5 million boxes, two-thirds to Canada, the remaining third principally to Belgium, Hong Kong, the Netherlands, the Philippines, and Switzerland. We probably could not have exported a single box across either ocean without the aid of the export payment plan. Even with that we sent less than 2,000 boxes to the United Kingdom, who in years past imported several million cases annually. On the other hand, we imported 150,000 boxes, almost all of them from Mexico. That is the first time in 20 years that imports have exceeded 50,000 boxes. Mexico has vast new acreage planted. Imports from that country are a definite threat to

our domestic industry unless we can be protected from their much lower labor costs.

United States exports of lemons last season approximated 270,000 boxes, 240,000 of which went to Canada. Grapefruit exports were 1,133,000 of which only 20,000 boxes went to countries other than Canada.

Exports of orange juice were almost 5 million gallons, of which 80 percent were to Canada. Exports of grapefruit juice were 1,600,000 gallons, of which 1,430,000 went to Canada. Exports of lemon juice were small.

Imports of lemons, mostly from Italy, were the heaviest since 1931, a total of 180,000 boxes, coming in mostly in the winter months. Imports of grapefruit were light, not over 60,000 boxes.

Imports of orange and grapefruit juices were not important. Imports of concentrated lemon juice, however, reached the startling quantity of 730,000 gallons, mostly from May to July. That quantity is equivalent to 600 cars of fresh lemons.

United States foreign trade in other citrus products, not for ordinary table use; in 1949–50 season, November to October, as compiled from Department of Commerce reports were:

Citrus peels:	
Exports	Negligible, if any.
Imports	1 million pounds.
Orange marmalade:	
Exports	Slight, not separately reported.
Imports	1¼ million pounds.
Orange pulp:	
Exports	Slight, not separately reported.
Imports	86 thousand pounds.
Citrus juices unfit for beverage:	
Exports	Slight, if any.
Imports	58 thousand pounds.

Citrus fruits are also used in making pectin, citric acid, and citrate of lime. Since these products are also derived from other sources, it is not possible to determine what part of them was derived from citrus. In any event the quantity that moved into international trade was slight.

To summarize: The equivalent packing house door return to the grower for the 1949–50 citrus crop was $330 million.

The value of citrus fruits, and juices, fresh and canned, and citrus oils exported in 1949–50 was almost $34 million. The value of imports was less than $4 million. Canada accounted for 75 percent of the export value. The value of exports to all other countries was: Fresh citrus $6.4 million, canned juices $2.2 million, and oils $0.7 million, a total of $8.3 million. Without the aid of export payment on fresh citrus and citrus juices export value would have been a small fraction of the latter figure. Roughly export value is value at port of embarkation, and import value is the value at the foreign point of shipment.

You can appreciate the extent and the importance of the citrus crop. It may seem difficult, however for one not in day-to-day contact with increasing costs of production, marketing, transportation, and crop hazards to appreciate the need for protection from imports at much lower production and labor costs and decided disadvantageous rates of money exchange. It is a fact we have a big surplus and the domestic market must be carefully nursed through the entire season, given just the right quantities at just the right time to maintain a market that will give the American consumer all the fruit he wants at a price he considers reasonable, and one that will at the same time give the producer a fair return. We cannot favor a foreign trade agreements program that fails to give a reasonable guarantee that the American market will be available for American crops, will protect the American farmer and laborer on the land or in the processing plant against ruinous competition from foreign products produced at slave-labor prices. This, the program to date has signally failed to do. We would like to emphasize that citrus is important to labor. The California industry alone pays approximately $100 million each year to labor. The actual number of workers employed is around 75,000. Some are seasonal, working a few months on citrus and the rest of the year on other crops. Many work all year on citrus, as cultural, picking, and packing operations are performed every week in the year in California.

We respectfully submit that the past administration of the reciprocal trade agreements has been consistently inconsistent with farm policy.

In 1932 the Democratic Presidential candidate made this promise: "Of course, it is absurd to talk of lowering tariff rates on farm products. I know of no exces-

sively high duties on farm products. I do not intend that such duties shall be lowered. To do so would be inconsistent with my entire farm program, and every farmer knows it and will not be deceived."

That candidate was elected. Shortly after the enactment of the Foreign Trade Agreements Act of 1934, the President wrote to the Congressman then representing the Third District of California; who had written him about fear in California over the possible administration of the Foreign Trade Agreements Act: "Certainly it is not the purpose of the administration to sacrifice the farmers and fruit growers of California in pursuit of the 'will-o-the-wisp of foreign markets,' as published reports would make believe.

"I trust that no Californian will have any further concern or fear that anything damaging to the fruit growers of the State, will result from this legislation."

Since that time foreign trade agreements have been made with more than 40 countries. Under the program, to January 1, 1949, tariffs on agricultural products had been reduced 48 percent on the basis of 1947 import statistics. Rates on a number of items had been reduced the full 75 percent maximum permitted by the law.

Average tariff rates calculated on an ad valorem equivalent for all dutiable imports actually received has been reduced from a high of 59 percent in 1932 to a low of 14 percent in 1948 and 1949. Part of this decrease in ad valorem equivalent rate has been due to rising prices on items on which the duties were specific and fixed at a given number of cents per unit.

Further cuts were made at Annecy in multilateral agreements. Negotiations are in progress at Torquay for further cuts.

Not a single tariff on any agricultural product has been increased although the act authorizes increases, and agricultural producers have appropriately requested and fully justified their reasons.

A number of agricultural items have been bound against increase, and many that were on the free list have been frozen at that status.

It is plainly evident that a great number of agricultural commodities and products have been drastically affected by the trade agreements program.

It is equally clear that a conflict exists between domestic agricultural policies and international trade policies, and that the domestic policy is subjugated to the international in every instance.

The foreign concessions, many of them based on fictitious tariffs, have not increased our exports of farm produce. A major part of our exports have come from Government grants to other countries and export subsidies. Concessions to us have been nullified by embargoes, exchange controls, quotas, and other barriers.

The conflict of marketing agreement programs, price support programs, and export payment programs with the trade agreement program of sacrificing the domestic market to foreign producers is extremely dangerous to the farmer, the laborer, the consumer, and the taxpayer. We hope this committee and the Congress will not allow such absurd inconsistencies to continue.

The Mexican agreement is a specific illustration of the fact that our Government has not administered the program as a reciprocal trade bargain but as a political expedient. The agreement was signed in 1942. Before the end of 1947 Mexico by successive steps of suspending importation of many products, raising duties on others, and restoring the preagreement rates on others, had virtually canceled her obligations. Our concessions were not withdrawn in spite of the fact that some of our industries were threatened with serious injury. The agreement was finally terminated by mutual consent of the governments three full years after Mexico had canceled her obligations. Had the agreement been reciprocal concessions by us would have been terminated promptly.

Our negotiations with Italy at the Annecy conference were not truly reciprocal. Italy's concessions to us were made from a new tariff adopted for bargaining purposes.

Specifically, the following cuts have been made in our tariff rates on fresh citrus fruits and citrus fruit products under the operation of the trade agreements program.

Grapefruit: August to September imports cut from 1.5 cents per pound to 1.2 cents, a cut of 20 percent; October imports cut from 1.5 cents per pound to 0.9 cent, a cut of 40 percent.

Since we produce almost all the grapefruit in the world there has been little request for reduction in duty. About the only imports come from Cuba, mostly in August and September, some in October. The preferential rate to Cuba on August and September imports was cut from 1.2 cents per pound to 0.3 cent, or the full 75 percent allowed by Congress. The October rate was cut from 1.2

cents per pound to 0.6 cent, a 50-percent cut, the full cut allowed by law at that time.

Lemons were cut from 2.5 cents per pound to 1¼ cents per pound, the full cut of 50 percent.

Limes were cut from 2 cents per pound to 1 cent; a full 50 percent.

Oranges not negotiated, no cuts.

Citrus jellies, jams, and fruit butters: Cut from 35 percent ad valorem to 20 percent, a 43 percent cut.

Concentrated lime juice: Cut from 70 cents per gallon to 20 cents, a cut of 71 percent.

Concentrated grapefruit, lemon and orange juice: Cut from 70 cents per gallon to 35 cents, a cut of 50 percent.

Citrus juices, unconcentrated, containing less than one-half of 1 percent of alcohol: Cut from 70 cents per gallon to 20 cents, a cut of 71 percent.

Citrus fruit juices unfit for beverage purposes: Cut from 5 cents per pound to 1¼ cents, a cut of 75 percent.

Lemonade: Cut from 15 cents per gallon to 5 cents, a cut of 67 percent.

Orange marmalade: Cut from 35 percent ad valorem to 16 percent, a cut of 54 percent.

Grapefruit, lemon and lime marmalade: Cut from 35 percent ad valorem to 20 percent, a cut of 43 percent.

Grapefruit and orange oil: Cut from 25 percent ad valorem to 12½ percent, a cut of 50 percent.

Lemon oil: Cut from 25 percent ad valorem to 17½ percent, a cut of 30 percent.

Lime oil: There is no duty on this item.

Pastes and pulps: Cut from 35 percent ad valorem to 17½ percent, a cut of 50 percent.

Peels, candied, etc.: Grapefruit and lime, not cut. Lemon, cut from 8 cents per pound to 6 cents, a cut of 25 percent. Orange, cut from 8 cents a pound to 4 cents, a cut of 50 percent.

Peels, crude, dried, etc.: Grapefruit, lemon, and line cut from 2 cents per pound to 1½ cents, a cut of 25 percent. (The 2-cent rate was restored when China withdrew from GATT.) Orange cut from 2 cents per pound to 1 cent, a cut of 50 percent.

Citrate of lime: Cut from 7 cents per pound to 3½ cents, a cut of 50 percent.

Citric acid not cut.

All citrus items on which rates can be further reduced, or that have not been reduced, are being bargained away at the Torquay Conference, with the exception of limes, organes, citrus peels, and, of course, lime oil which is on the free list.

The only items on which rates have not been cut, and which are not under negotiation at Torquay, are fresh oranges and candied grapefruit peel. Lime oil has been bound on the free list. We know of no instance where oranges have been on the list of United States products considered in trade-agreement negotiations.

We favor with one qualification the peril point amendment which provides that the Tariff Commission shall determine the peril point below which it would be dangerous to reduce a tariff. The qualification is that we think the peril point should be mandatory, that the President shall not cut below the peril point as determined.

We believe that the unrestricted delegation of the tariff-making power to the Executive to be used as an instrument of foreign policy was unwise and an improper abdication by Congress of a power and responsibility specifically entrusted to the Congress by the people as stated in the Constitution. We believe the tariff policy is one of primary domestic concern. This has not been the history of tariff policy under the administration of the trade agreements program. Time and time again the interests of American farmers, small business, and labor have been subordinated to and sacrificed for the attainment of the international and political objectives of the State Department.

We believe that Congress fully intended that the welfare of the domestic producer should be considered and protected, and amply protected, in the administration of the trade-agreements program. Congress provided what was considered adequate machinery for such protection. We believe the intent of Congress has been bypassed in the administration of the program and in the interpretation placed upon the avenues of protection provided by Congress.

We cannot support the extension of the Trade Agreements Act unless assurance is given that a reasonable consideration of economic and domestic factors will be accorded to our own industries before any foreign policy trading in their welfare

is done by the Executive. We believe the best agency to determine to what extent tariff changes can be made without injury to the domestic industry is the Tariff Commission, a nonpartisan agency responsible to Congress, and well equipped with trained and expert specialists in tariff matters in all their intricate details. We feel most strongly that the danger point fixed by the Commission should be the absolute point below which the Executive shall not be permitted to go. To permit a cut below the peril point simply by explaining the reason, takes almost all of the strength out of the provision.

We strongly support section 7 of H. R. 1612, the "escape clause" amendment. This amendment is sorely needed to correct the inadequate and misleading remedy allegedly provided by the so-called escape clause of the General Agreement on Tariffs and Trade, which provides that:

"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."

That is the clause which has been highly publicized by the Department of State, as well as by the President, as an adequate guaranty to American producers that they will not be injured by reduction in tariff, and that if mistakes are made they will be remedied.

This so-called escape clause has proved to be wholly inadequate and confusing so far as domestic industry has been concerned. Of 20 applications for remedial action from injury caused by tariff concessions, up to December 1950, relief has been granted in only 1 instance; only 2 were investigated to determine whether or not injury had been inflicted; 12 were dismissed without investigation; and, so far as we know, 6 are still pending. No economic facts have been given in support of the dismissals or denials. No wonder that the domestic producer has no hope that he can ever get anywhere. He has no remedy, no appeal, not even an explanation.

The only "escape" provided by this loosely and defectively worded clause has been the loophole it has provided the administration of the trade-agreements program to "escape" its responsibility to the American producer and ignore the injury that the program has caused.

If the injury was foreseen, there is no recourse. Unless the injury is atrributable to a trade agreement or similar obligation there is no recourse. The American producer feels that the injury is no less damaging by the fact that it had been foreseen. Under this clause the administrative agency has been given the power to deliberately destroy an industry.

It is unfair to require a complainant to prove that the injury is the result of a trade agreement before injury can be remedied. The American producer contends that he should have the relief if he can prove injury, and not be forced to become involved in economic or political technicalities as to its cause. Relief can now be denied on the ground that injury was due to other causes, or merely categorically denied without substantiating grounds.

Another requirement of the escape clause is that the product is being imported "in such increased quantities and under such conditions as to cause or threaten serious injury * * *." Here, again, the wording is loose and subject to a wide variety of interpretation. Economic conditions change, values of currencies change, wage rates change, and many other factors can change in different countries in different degrees. Changing trends can have as much, if not more, bearing on the effect of imports than the quantity of imports themselves. The compound restriction "and under such conditions" gives infinite license in interpretation of tie-up of conditions with increased quantities.

The amendment sets up definite standards by which the complainant can be assured that his claim of injury will be considered and measured and reasons given in case of denial. We feel the American producer is fully entitled to this consideration.

Other countries have not hestitated to protect themselves by quotas, embargoes, money exchange, and other restrictions against imports from the United States. In recent years our fresh citrus has been effectively kept out of all European countries except Belgium, the Netherlands, and Switzerland. We have exported concentrated orange juice to the United Kingdom, not for public use but for

child health and expectant mothers. Other than to the countries above referred to the volume of our exports to Europe has been negligible. We do not attribute the loss of our historical foreign markets to the trade-agreements program, but mostly to world economic conditions. We merely state the fact that we have lost the markets, and that the need to protect our domestic market is an absolute requirement to survival.

We advocate an amendment to section 22 of the Agricultural Adjustment Act, which will make this section effective and clear up all controversy as to whether or not it is nullified by the Trade Agreements Act. A simple amendment to the effect that the provisions of section 22 shall not be contravened by trade agreements or international treaties should be incorporated into the trade agreements extension act.

Section 22 should be further amended to make justifiable relief sure, swift, specific, and mandatory. Relief under this section has not been granted because of questions of international policy, State Department policy, or other considerations entirely outside the scope or merits of the particular industry making the application. Because of so-called over-all policy, the merits of particular domestic industries have not been considered, and the applicants have not been told why.

The Department of Agriculture should have more sure protection under section 22 for agricultural programs. It should be mandatory to make an investigation where relief is applied for. If the applicant is not entitled to relief after investigation he is certainly entitled to know why, and to what extent he would have to be injured before he would be accorded relief.

It is certainly inconsistent and foolish to restrict domestic supplies to quotas, such as weekly shipments of oranges or lemons under marketing agreements and orders, in an effort to attain a stabilized domestic price objective, and then invite foreign supplies to come in unrestricted as to quantity or price.

Citrus has not had price support. It has been able to survive and attain its present imposing status only by cooperation with the Government as an umpire in marketing agreement and order programs. These programs must not be vitiated by administrative arrangements with other countries, arrangements which have not been considered and ratified by Congress.

We produce half the world's citrus crop, have considerably more than our domestic needs. Our overseas market is very limited, would be virtually nonexistent without the aid of the Government export program. Other countries are producing no more than their own people and European countries normally require. If they would put their own affairs in order and resume unrestricted trade among themselves, they could sell their crops in their own natural markets. To invite imports to this country in unrestricted quantities would merely turn our markets over to them until such time as their former markets were restored. In the meantime our own industry would have been ruined, tremendous investments lost, and tens of thousands of laborers thrown out of work. We sorely need a revised section 22 to make sure that this catastrophe will not be permitted, for citrus or any other segment of agriculture which is operating under a Government program.

We specifically endorse the Magnuson-Morse amendment as presented in S. 983.

We give our endorsement to section 8 of H. R. 1612, which forbids tariff cuts on foreign farm products competing with American products unless the imports sell at a price higher than the United States support price. We feel most strongly that this amendment should be extended to all products operating under marketing orders and agreements and the minimum import selling price should be fixed at parity. This is no more than common sense. Certainly it is not consistent for one department of our Government to attempt to maintain a satisfactory domestic market level for a farm product while at the same time another department is attempting to open the doors wide to foreign competition at disastrously low prices. You just cannot boil water in one part of the kettle and freeze it in another part at the same time.

We strongly advocate an amendment or other applicable legislation that will make effective section 336 of the Tariff Act of 1930, which provided a method of obtaining relief when differences in foreign and domestic costs had widened to such an extent as to cause or threaten serious injury to the domestic product. Under that section tariff rates could be adjusted to at least partially offset changing and disadvantageous price spreads. The only avenue to relief under section 336 was practically closed by the Trade Agreements Act. We advocate an amendment that will clearly and effectively restore the original intent of Congress when section 336 was adopted.

Instances have and will continue to occur, particularly where the rates are specific, where even the 1930 tariff rate is inadequate because of cost changes.

Section 336 provided a remedy. Under the escape clause the rate can only be restored to the 1930 level. That restrictive provision of the Trade Agreements Act should be repealed so that relief can be had where justified by proceeding under section 336.

We believe for Congress to extend the act without safeguarding amendments will further confuse and destroy the confidence of farmer and laborer in the administering of our farm programs and foreign policy.

Senator HOEY. Mr. Chairman, Mr. J. C. Lanier from North Carolina is here. He has to be away tomorrow and I would like to ask that he be permitted to file his written statement.

The CHAIRMAN. Mr. Lanier, do you wish to file your brief?

Mr. LANIER. I would like to file this brief on behalf of the tobacco growers and also the tobacco dealers who sell tobacco all over the world, and, in view of your time limit, I will just file it rather than make a personal appearance.

The CHAIRMAN. You may do so, and it will be put into the record.

(The prepared statement of J. C. Lanier reads in full as follows:)

STATEMENT OF LEAF TOBACCO EXPORTERS

Mr. Chairman and distinguished members of the Senate Finance Committee, my name is J. C. Lanier, of Greenville, N. C. I am executive secretary and general counsel for the Leaf Tobacco Exporters who do not manufacture tobacco products but who buy United States leaf tobacco and sell it in almost every country in the world.

I am also a member of an over-all committee set up by the producers and exporters of United States tobacco to further the best interests of tobacco in all its phases. At a meeting last year this committee unanimously adopted a resolution urging the simplification and liberalization of customs regulations, the approval of the International Trade Organization charter, and requesting the administration to press forward actively its program to bring about the lowering of tariffs and the removal of other trade barriers through the use of reciprocal trade agreements and other appropriate measures. An identical resolution was also adopted by the Leaf Tobacco Exporters Association and by the Tobacco Association of the United States.

We favor the enactment of legislation to extend the Reciprocal Trade Agreements Act. We believe a great deal has been accomplished under the act and that it had been most helpful in breaking down trade barriers and increasing the flow of commerce between nations. We believe that the exchange of goods and business contacts between nations is the surest way to permanent peace.

The exportation of goods and services at a high rate is essential to the economic health of the United States. We have provided much financial assistance to foreign nations through ECA. These funds have served to make up the deficit in the balance of trade, but ECA is scheduled to go out of the picture in 1952. To fill this gap, we must import goods from foreign countries. Otherwise, those countries will not be able to buy our goods and services.

The continuation of the program now in progress through reciprocal trade agreements seems to me to be the most logical and effective way of increasing this flow of commerce between nations.

Tobacco is a large farm export commodity. During the fiscal year 1949–50 we exported $235.5 million worth of tobacco. Our production of leaf tobacco is far in excess of the domestic consumption. We must find markets in other countries or face a drastic cut in production with its consequent financial disaster to 850,000 farm families who produce tobacco.

We also believe that it will be a grave mistake to adopt the amendment in section 8 of H. R. 1612. We believe that this amendment will have a most detrimental effect on the whole structure of trade agreements. If incorporated in the law, this amendment will cause participating countries to believe that we are playing the game with loaded dice. Its mandatory provisions will require this country, under a given state of facts, to breach agreements with other countries, although the state of facts might be temporary or harmless. As I interpret this provision, the sale of one boatload of cotton or tobacco or any other supported commodity in this country at a price less than the support price of such commodity will automatically breach all concerning this particular com-

modity. Although the sale of such commodity might have no effect whatever upon the economy of any segment of the United States. The amendment leaves the door wide open for manipulations by those who might seek the nullification of trade agreements in a particular commodity.

Agreements between countries which have been negotiated over long periods should not be destroyed by hasty or arbitrary action. The proposed amendment says in effect that we agree to a certain set of rules, but we reserve the right to break them at any time.

There are already safeguards to protect the economy of this country against any serious threat or injury. Section 22 of the Agricultural Adjustment Act provides adequate protection of an agricultural commodity when imports threaten the operation of any of our domestic price-support programs. The escape clause in the Reciprocal Trade Agreements Act provides adequate safeguards for industry as well as agriculture, even though it sometimes works slowly.

Concessions have been made on United States tobacco by 20 countries under the provisions of the Trade Agreements Act. United States tobacco producers have benefited from these concessions.

In conclusion, we believe that the Reciprocal Trade Agreements Act should be extended without the crippling amendments. It will serve no purpose to continue a measure which is hamstrung at the beginning. Speaking for the tobacco industry, we are sure that agriculture will be adversely affected if this amendment is adopted. We therefore recommend that the Reciprocal Trade Agreements Act be extended for 3 years and that section 8 of H. R. 1612 be deleted.

Mr. GREGG. Mr. Chairman, my name is Eugene Gregg, representing the United States Council of the International Chamber of Commerce. Unfortunately, I have to leave this afternoon, and I would like to file the position of the United States Council of International Chamber of Commerce, if I may.

The CHAIRMAN. You may do so. It will be added into the record.

(The prepared statement of Eugene S. Gregg reads in full as follows:)

STATEMENT OF EUGENE S. GREGG FOR THE UNITED STATES COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE, INC.

My name is Eugene S. Gregg. I am vice president of Westrex Corp., New York City, the export subsidiary of the Western Electric Co., Inc. I am appearing as the representative of the United States Council which is the American section of the International Chamber of Commerce, a nonprofit, nonpolitical businessmen's organization. Represented in the United States Council are all branches of American economic life, including manufacturing, commerce, and finance.

The United States Council (formerly known as the United States Associates) of the International Chamber of Commerce has consistently favored the maintenance of the Reciprocal Trade Agreements Act on the statute books and has favored all the recent renewals of that legislation.

On January 19, 1951, the United States Council adopted the following resolution which expresses its philosophy in this matter:

"RESOLUTION

"The United States Council of the International Chamber of Commerce:

"Realizing that the reestablishment of free convertibility and multilateralism depends upon achievement of equilibrium in international trade;

"Favoring the establishment of such equilibrium at a higher rather than a lower level of trade;

"Believing, therefore, that an expansion of United States foreign trade is essential;

"Approving, in addition, the established United States policy of urging a continuous reduction of foreign trade barriers;

"Considering, however, that the most effective initiative and example with respect to the liberalization of trade must come from the United States as the major trading nation;

"Noting that the United States Government must have proper congressional authority if it is to pursue a constructive foreign trade policy; therefore

"Reaffirms its earlier support of the reciprocal trade agreements program, as expressed in *Toward Freer World Trade* (U. S. Associates, I. C. C., Inc., New York, January 1949); and

"Recommends the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years."

In recommending in April 1948, a 3-year extension of the Reciprocal Trade Agreements Act of 1945, the United States Council Committee on Commercial Policy stated as follows the reasons for its recommendation:

"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."

All this appears to the United States Council to be as true now as it was 3 years ago. Indeed, in our days it is more than ever necessary for the free nations of the world to be drawn together by ever-stronger ties of economic intercourse in order to use to the best advantage, for prosperity and defense, the resources which are available within its confines.

In recommending the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years, we wish to make it clear that we favor its extension in the form in which it now appears on the statute books, i. e., without the amendments to the act which were passed recently by the House of Representatives. These amendments appear to us to be neither necessary nor desirable. They are not necessary because the Trade Agreements Act as it now stands provides adequate safeguards to prevent any serious hardships that might result for American industries from the lowering of particular tariff rates. They are not desirable because their effect is to cast a doubt upon the steadiness of purpose behind the basic American policies which underlie the Trade Agreements Act.

This last point, I submit, has a far-reaching significance. During the past 3 years, through the Economic Cooperation Administration, we have been urging the European Marshall plan countries to liberalize trade among themselves to the greatest possible extent; results have been achieved along that line which, although far from insignificant, are by no means considered as satisfactory and further efforts are being contemplated by the European nations and encouraged by our agencies operating in Europe. We would be weakening very seriously our position of leadership if we were to give the impression that we are unwilling to adopt ourselves the principles of commercial policy which we have been and are now urging other countries to adopt. It would be particularly unfortunate if, in the guise of renewing the Trade Agreements Act, we actually destroyed its effectiveness through the procedure of amendment.

It is for these reasons, and because it believes that the law as it now stands provides adequate safeguards for the American economy, that the United States Council desires me to express the hope that the Senate will eliminate from the act the amendments recently introduced by the House of Representatives and that it will renew this act without these amendments for a period of not less than 3 years.

PROPOSED AMENDMENTS TO THE RECIPROCAL TRADE AGREEMENTS ACT

1. Under the peril-point amendment the Tariff Commission is required to determine the point, item by item, below which tariff duties cannot be reduced without imperiling American industry.

If the President decides during negotiations on a trade agreement with another country to reduce the tariff below that point, he must notify Congress within 30 days stating the reasons for his action.

2. An escape clause was incorporated under which the Tariff Commission would be required to investigate claims of injury to American industry arising from imports and to recommend to the President the action he should take by way of remedy.

3. A stipulation was written into the measure to the effect that concessions on foreign farm products coming into competition with price-supported American commodities shall not apply unless the foreign product is to be sold above the support price.

4. The President will be required to deny tariff concessions in future agreements to the goods of any country "dominated or controlled by the foreign government or foreign organization controlling the world Communist movement."

STATEMENT OF GEORGE A. SLOAN, CHAIRMAN OF THE UNITED STATES COUNCIL

On January 19, 1951, the executive committee of the United States Council adopted a resolution in favor of the extension for 3 years of the Reciprocal Trade Agreements Act in the form in which it now stands on the statute books. One of the underlying policies of the United States Council has been to recommend the elimination and removal of economic barriers and the promotion of a freer interchange of goods between nations. This policy was clearly set forth by the United States Council in a pamphlet entitled, "Toward Freer World Trade," which was issued in January 1949. It is felt that the 3-year extension of the Reciprocal Trade Agreements Act in its present form is one way in which this basic policy can be further attained.

Action taken by the House of Representatives on February 7 introduces into the Reciprocal Trade Agreements Act four amendments. Should these amendments remain in the final form of the reenacted bill, they would cripple the entire trade agreements program which, in the opinion of the United States Council, has been an important contribution to our own and to the world's prosperity in the years gone by.

The United States Council feels strongly that in the Reciprocal Trade Agreements Act as it now stands there are ample safeguards to prevent any undue hardships or detrimental results to our own American businesses, and that there is no need for injecting crippling amendments which would prevent successful negotiations with other countries in securing a freer flow of goods both to and from this country.

Furthermore, during the past 3 years of operation of the Marshall plan, we have been urging the European countries to eliminate trade barriers among themselves, and we would be weakening our position materially if we are not willing to adopt the same underlying principles as we have urged other countries to adopt.

For these reasons, the United States Council urges that the amendments as passed by the House of Representatives should be eliminated by the Senate in the forthcoming consideration of the Reciprocal Trade Agreements Act.

RESOLUTION ADOPTED BY THE EXECUTIVE COMMITTEE, UNITED STATES COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE, INC., JANUARY 19, 1951

The United States Council of the International Chamber of Commerce:

Realizing that the reestablishment of free convertibility and multilateralism depends upon achievement of equilibrium in international trade;

Favoring the establishment of such equilibrium at a higher rather than a lower level of trade;

Believing, therefore, that an expansion of United States foreign trade is essential;

Approving, in addition, the established United States policy of urging a continuous reduction of foreign trade barriers;

Considering, however, that the most effective initiative and example with respect to the liberalization of trade must come from the United States as the major trading nation;

Noting that the United States Government must have proper congressional authority if it is to pursue a constructive foreign trade policy; therefore

Reaffirms its earlier support of the reciprocal trade agreements program, as expressed in Toward Freer World Trade (United States Associates, International Chamber of Commerce, Inc., New York, January 1949); and

Recommends the extension of the Reciprocal Trade Agreements Act for a period of not less than 3 years.

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. FOREWORD

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 the United States. 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.

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 should be supported by a Reciprocal Trade Agreements Act permitting them to exert dynamic leadership. For that reason the crippling Gearhart 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 incoprorated 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 elimination of quantitative restrictions and their nondiscriminatory administration, freedom of transit, and 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 development 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 has established an interim tariff committee which can be made permanent. A secretariat for that body already has been created. It will meet again in April 1949 to negotiate agreements with 13 additional countries, including the four 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 wholehearedly 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."

Developments 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 Commission 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 exten-

sive 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 5-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.

The CHAIRMAN. Are there any other witnesses who wish to file a brief?

Mr. BOEHM. Yes, sir. My name is William J. Boehm. I am here on behalf of the Maryland Commercial Watermen Association of which association I am its executive secretary.

Senator MILLIKIN. What is the general nature of that, sir?

Mr. BOEHM. It has to do with the importation of herring.

Senator MILLIKIN. Are you an export organization or an import organization? Do you deal domestically?

Mr. BOEHM. Domestically, sir, with domestically caught herring.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Your statement may be placed in the record at this point.

(The prepared statement of William J. Boehm reads in full as follows:)

STATEMENT OF MARYLAND COMMERCIAL WATERMEN ASSOCIATION

Honorable gentlemen, my appearance before this honorable committee is on behalf of the Maryland Commercial Watermen Association, of which association I am its executive secretary. This association comprises Maryland watermen who rely on the fishing industry of the Chesapeake Bay and its tributaries. My attention was called to the fact that the United States Government is considering the extension of the recriprocal trade agreements with foreign nations. I have been instructed to voice my opposition to this extention and the following basic reasons are stated for the record: It is a known factor that under the reciprocal trade agreements many types of herring are imported to the United States from foreign sources—as well as shell sea food—crab meat. Also that the price of the imported sea food and its processed products is much lower than the price of the domestic-processed sea food, due to cheap foreign-wage scale paid labor and the basic material costs. Even with the imposition of tariff or duty the foreign product competes successfully with the domestic product. Herring—one of the leading type of fish caught in the Chesapeake Bay is directly affected by the importation of the foreign-processed herring. Over the period of the following years—1948, 1949, and 1950—the following prices are shown: 1948, average price per thousand herrings, $13, or 2½ cents per pound; 1949, average price per thousand herrings, $13, or 2½ cents per pound; 1950, $7 per thousand herrings, or 1½ cents per pound.

The 1950 price reflected a serious drop in price which resulted in a tremendous loss of income for the Maryland watermen. I inquired of the packing and processing houses and plants the reason for the tremendous drop in price. Woodfield & Co., of Galesville, Md., one of the largest in the State, by William Woodfield, its president, stated that during the fishing season the House of Representatives was in favor of lowering the duty on all imported herring. This fact was later confirmed by Hon. Congressman Sasscer, that the Committee for Reciprocity Information was considering that proposal. Thus he, William Woodfield, would not pack any herring for fear that the lowering of the tariff duty would result in a flooded market of foreign-processed herring at lower prices. This would directly result in a loss to the processors and rather than speculate and lose, the company refused to accept any herring and the watermen had to throw their herring (millions) back into the bay. This same reason was the cause for the Eastern Shore plants' refusal to process any herring—Tilghman Packing Co., Tilghman, Md. It was stated before the Reciprocity Committee hearing that the packing of herring for the year 1950 was 40 percent less than in any prior year—mainly due to the uncertainty of the market price—as at that time a ⅜ cent per pound drop or cut in the tariff duty was contemplated.

As a result many watermen stopped fishing herring; unemployment became noticeable at the many processing plants, which seriously affected the economic stability of the bay area. This condition the watermen and myself feel was directly attributed to the tentative cut in duty of three-eighths cent per pound on imported herring from foreign sources, as contemplated last spring. If the condition of permitting importation of herring from foreign sources continues, then the fishing industry of Maryland will be seriously curtailed and may result in a complete cessation of this means of livelihood, thus creating a serious economic condition in the Chesapeake Bay area.

The other item of serious consideration being the importation of crab meat from foreign sources. Many watermen realize their livelihood from crabbing in the bay area. I was informed that considerable amounts of crab meat was imported from foreign sources, Russia being the primary country in the year 1950. The watermen of the State of Maryland as well as the processing plants are in violent opposition to this importation and do not favor this practice. They cannot compete with the Russian wage scale—if they have one at all.

Thus, in summarizing, the Maryland Commercial Watermen Association and its members are opposed to the extension of the reciprocal trade agreements and request this honorable committee to give their utmost consideration in the preventing of the democratic way of life to be shackled to a lower standard of living as existing in foreign countries where the wage scale and the way of life is of no comparison to the American way—the best in the world. Thus it is respectfully urged that this honorable committee vote in opposition to the extension of the trade agreements.

Respectfully submitted.

WILLIAM J. BOEHM,
Executive Secretary.

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Senator MARTIN. Mr. Chairman, Mr. Walter W. Maule is here, and he would like to be heard. He will only take a few minutes.

The CHAIRMAN. Well, if he can finish within that time we will call him.

Mr. Walter Maule. Is Mr. Maule in the room?

Mr. MAULE. Here, sir.

STATEMENT OF WALTER W. MAULE, MUSHROOM GROWERS COOPERATIVE ASSOCIATION OF PENNSYLVANIA

The CHAIRMAN. Mr. Maule, as you realize, our time is already out and we have got to report, but Senator Martin advises me that you probably will be able to present your matter within a very brief time.

Senator MARTIN. Can you do it in a couple of minutes?

Mr. MAULE. In 2 or 3 minutes.

The CHAIRMAN. In that event, we will be glad to hear you, and you may proceed. Identify yourself for the record, please.

Mr. MAULE. My name is Walter W. Maule. I am secretary and general manager of the Mushroom Growers Cooperative Association of Pennsylvania, Kennett Square, Pa.

The CHAIRMAN. All right, Mr. Maule, you may proceed.

Mr. MAULE. I represent a membership who grow about 50 percent of America's mushrooms.

The American mushroom industry has an investment of approximately $50 million and employs about 14,000 persons in an industry covering about 25 of our 48 States.

Twenty-two years ago I appeared before your committee and in the Tariff Act of 1930 a duty on canned mushrooms was set at 45 percent ad valorem plus a specific duty of 10 cents a pound.

Under the Reciprocal Trade Treaty Act of 1936 that duty was reduced to 25 percent ad valorem plus 8 cents per pound.

Again in 1948 the duty was further reduced to 15 percent ad valorem plus 5 cents per pound.

In 1950 I appeared before the Committee for Reciprocity Information as a representative of the mushroom industry, protesting a further tariff reduction on canned mushrooms. The outcome of that remains in doubt, because of the present conference between the United States and 22 or 23 other nations at Torquay, England.

We assume that if the same principle obtains we will have a further reduction in tariff.

The domestic industry produces approximately 63 million pounds of mushrooms annually in 25 States and the market value at the farms is approximately $20 million.

About 70 percent of our 63-million-pound production is sold to processors, either to soup manufacturers or to canners of mushrooms in brine pack.

Since a very large part of our crop is utilized by processors, we are particularly sensitive to the importation of canned mushrooms, particularly in volume, from France. It happened that in 1950 the imports of mushrooms from France increased 136 percent over the imports from France in 1949.

Not only was there this increase of almost 2½ times the previous year's imports, but the value declined from 66.6 cents per drained-

weight pound to 55 cents per pound, or a decrease in import valuation of 16.9 percent.

In each of these tariff hearings before the Committee for Reciprocal Trade our organization and other organizations in the industry have appeared in protest but without avail. We pointed out, and substantiated it by Americans engaged in the mushroom industry who last year visited France, that the wage scale there was not over 25 cents per hour, whereas in the United States in the processing we have a minimum wage of 75 cents per hour, and a general agricultural wage rate for male help of about $1 per hour.

While the importations have not been extreme on poundage yet, we find that the market is very sensitive to a low-priced product, since a large part of the canned mushrooms go to hotel and restaurant and institutional trade.

For example, one of the branches of the organization who employ me has a canning operation. Hawaii has been a very important point of outlet for us.

Following the war we lost 85 percent of this market to Japan, who under the most-favored-nation clause was afforded the same tariff reduction that was accorded France.

Under the most-favored-nation clause Japan has gained practically the entire benefit of the concessions, probably due to the fact that the French industry has not become reinstated to its high level of prewar. We urge that your committee give very serious consideration to amending the act—we know the Reciprocal Trade Treaty Act will be continued—however, we believe that amendments protecting American industry should be placed in it, such as the preceding witness, Mr. Loos, suggested. I am not going into the technicalities of those particular clauses, but they, if enacted, will provide relief which has been denied us, under the Reciprocal Trade Act, as it has been administered. We have been before the Committee for Reciprocity three different times and there is no question from a competitive-cost standpoint that the American mushroom grower and canner has a case.

However, we have been denied absolutely what we consider reasonable and fair treatment.

Senator MILLIKIN. In connection with your proposed amendments do you approve the bill as it came from the House?

Mr. MAULE. I think Mr. Loos offered an amendment that was slightly different.

Senator MILLIKIN. I understand that. I mean, assuming in connection with those amendments, do you approve the bill as it came from the House?

Senator KERR. With the addition of the amendments Mr. Loos suggested.

Mr. MAULE. Yes.

Senator MILLIKIN. Without the amendments, if you could not get the amendments, would you still be agreeable to the bill as it came from the House, or as agreeable as you could be under those circumstances?

Mr. MAULE. Yes. At the present time we have been denied anything that we consider fair consideration by administrative agencies, Senator.

Senator MILLIKIN. I see.

The CHAIRMAN. Do you have any further questions from Mr. Maule? If not, thank you very much, Mr. Maule, for your appearance.

Mr. MAULE. Thank you.

The CHAIRMAN. Now, there are some witnesses that we have not been able to reach and you will have to go over, gentlemen, until tomorrow, because we are able to hold hearings only in the forenoon. We will try to work you in tomorrow as nearly as we can, if it is possible to do so.

Mr. BRECKINRIDGE. Will the witnesses who did not get an opportunity to appear today be the first ones tomorrow? We have two people here from the west coast who would like to he heard.

The CHAIRMAN. No, sir; I don't think we can put them first, because we have other witnesses who have also been rescheduled. We will try to get to them, if it is possible.

Any witness who desires to do so may, of course, file his brief in lieu of a personal appearance, and it will go into the record.

Senator MILLIKIN. Mr. Chairman, I think it might lead to a better understanding if the witnesses realize that after the chairman commenced scheduling of the witnesses, that the Senate went back to a strict interpretation of the rules and forbade us from sitting in the afternoons.

That has "discombobulated" the whole schedule.

Senator KERR. And besides that it has thrown it out of kilter.

Senator MILLIKIN. That is right.

Senator MARTIN. I might add that we can, according to the rules, meet when the Senate is in session with unanimous consent but the session starts at 12 o'clock.

The CHAIRMAN. Yes. We are now 15 minutes over.

Mr. KLAHRE. Mr. Chairman, I am all the way here from the west coast and I was scheduled to be the next witness. I do not like to leave my brief. Would it be possible to be reasonably assured of being heard tomorrow morning?

The CHAIRMAN. What is the length of your brief, sir?

Mr. KLAHRE. I think it would only take about 15 minutes.

The CHAIRMAN. We will try to work you in in the morning.

Mr. KLAHRE. It would seem only fair, having waited that long, that I be accorded a reasonable place in the schedule.

The CHAIRMAN. Well, we will see if we cannot take care of you in the morning.

(In lieu of personal appearance, the following statement by Mr. W. D. McMillan on behalf of the Texas Shrimp Association and the Texas Fisherman's Association is submitted for the record.

The statement of E. S. Hall, of Farmington, Conn., is also submitted for the record.)

STATEMENT OF W. D. MCMILLAN ON BEHALF OF THE TEXAS SHRIMP ASSOCIATION AND THE TEXAS FISHERMEN'S ASSOCIATION

Mr. Chairman and members of the committee, my name is W. D. McMillan. I reside in Galveston, Tex. I am appearing before this committee on the subject of the extension of reciprocal trade agreements on behalf of the Texas Shrimp Association and the Texas Fishermen's Association. I am a director of the Texas Shrimp Association, which has headquarters in Brownsville, Tex., and which is comprised of 62 producers of shrimp, representing 90 percent of the shrimp production of the State of Texas. I am also business administrator of the Texas

Fishermen's Association, which has headquarters in Galveston, and which is an independent union comprised of 2,300 members, both boat owners and employed fishermen. This statement is also submitted in behalf of Harris J. Booras, general counsel of the Texas Shrimp Association.

As you gentlemen likely know, within the past year, there has been a relocation of the shrimp industry into Texas, and at the present time the State of Texas accounts for approximately 50 percent of the entire annual production of fresh and frozen shrimp.

The livelihood of the members of those associations is in great danger and will be even more critical as time goes by if the imports of fresh and frozen shrimp continue to increase in the ratio that they have over the period of the past 15 years.

The alarming increase in importations of fresh and frozen shrimp from foreign countries, particularly Mexico, poses a very serious threat to the commercial shrimp fishery of this country. The catching and processing of shrimp constitutes a major industry in the South Atlantic and Gulf Coast area of the United States.

Unless these imports are regulated to provide equitable and proper protection to domestic producers, the commercial shrimp fishery of this country will be drastically affected and possibly doomed to gradual extinction.

We of the industry of the Gulf Coast area sincerelv feel that if a quota is not imposed upon imports from foreign countries, it will result in great monetary loss to the members of the industry, a dislocation of labor both ashore and afloat, and in general a disruption of the entire normal operations of the shrimp fishery.

We would like to point out to this committee that there is not now nor has there ever been a tariff or quota placed on the importation of shrimp for the protection of the American industry, and all that our industry desires is the opportunity to present its case on its merits to some designated qualified agency, so that whatever relief may be possible can be so had.

I, and I am sure the people I represent, am confused as to whether H. R. 1612 is broad enough to cover a new industry or one where the commodity involved has never been the subject of a tariff concession. Secretary Acheson's statement before this committee on February 22 leads us to believe that possibly the bill is broad enough, for he states, referring to H. R. 1612:

"The second procedural amendment requires the Tariff Commission to make an investigation upon every application, no matter how flimsy the case presented. It could be invoked without any increase in imports whatsoever. It could be invoked even if the imports complained of were not the result of a tariff concession."

I do not profess to be an expert on tariffs, but I reiterate that if the Secretary of State seems to feel that the language is broad enough to cover an industry which has not previously had a tariff concession, then possibly this is the case. I would like to know.

To illustrate why a quota is necessary—there has been an astounding increase in the importation of shrimp, fresh and frozen, over a period of the last 15 years. With regard to one country in particular, Mexico, that country in 1935 exported to the United States 1,574,077 pounds of shrimp. In 1950, the exports on this same commodity from Mexico had risen to the astounding figure of 39,652,640 pounds. Since the entire annual domestic shrimp production of the United States is some 117,000,000 pounds, and 40,000,000 of this is either used in the canning or drying of shrimp, approximately 87,000,000 pounds are left in the fresh and frozen category. The import figure of some 39,500,000 pounds represents then almost one-half of the figure produced by the domestic shrimp industry for consumption in the fresh and frozen form—and this is but from one country, Mexico.

Since it is generally accepted that the United States is the largest world market for shrimp fishery production, it is evident that continued importations from foreign countries can and soon will surpass domestic production. The increase in shrimp imports has been gradual, exhilarating as the foreign countries acquired better and larger equipment and placed themselves in a better competitive position. From 1935 through 1945, there was a gradual rise in imports from Mexico of approximately 6,000,000 pounds, increasing at the rate of approximately 1,000,000 pounds a year. From 1945 to 1946, imports jumped 5,000,000 pounds. In 1947, imports had increased over 1946 bv 1,000,000 pounds. In 1948, imports over 1947 had increased by approximately 8,000,000 pounds, and in 1949, there was again an 8,000,000-pound increase. And in 1950, imports rose over 1949 by some 10,000,000 pounds.

While it is evident by import figures which I make a part of this record by my Attachment A that Mexico is the principal foreign country making a strong bid for the American market, Panama, Australia, and Greenland are also exporting quantities of shrimp to the United States. Although the amount of shrimp

exported by these other countries at the moment is negligible, so too was the amount of shrimp exported to the United States by Mexico in the early years. And these other mentioned countries have the same potential that Mexico had.

Obviously a brief cannot convey all the problems of an industry, but we do make mention of the fact that loans to foreign countries such as the one recently proposed by the Import-Export Bank for the purpose of building trawlers for the Mexican shrimp fishery to compete with American industry constitute a distinct threat to the economy of our fishery. The shrimp fishery itself is comprised of a number of small operators who have through their own capital, labor, and initiative built up their own businesses to the now substantial industry that it is. American industry cannot compete with the lower or substandard wage scales of some of our foreign countries—not and maintain the standard of living that the average American fisherman is justly entitled to.

This is also true of all the allied industries associated with the shrimp fishery. Continued imports can only tend to create eventually a loss of employment for the many and costly shore installations and operations in the domestic fishery.

The shrimp fishery of the United States and the men engaged in it do not seek an "exclusive" or a monopoly. We recognize the rights of others to export, but we do believe that these exports should be in proper proportion to what our American market can absorb without affecting the economy of the domestic fishery. We honestly believe that the industry in the United States will not be able to survive if we do not place a limit on the amount of imports which are to be allowed to enter this country. The shrimp fishery can survive only if this Government provides proper protection against this increasing flood of foreign exports that have deluged the American markets and caused the largest inventory holding in all of the history of our industry, as indicated by the attached chart, my attachment B.

The very fact that our chief competitor, Mexico, can and does by decree change their export taxes constitutes a serious threat to the American industry because if the Government of Mexico was so inclined to remove all of the export taxes now existing, it would definitely give the Mexican shrimp industry another decided advantage over the American industry.

Further with regard to labor, this same country has by a differential in tax rates provided an inducement to freeze shrimp in Mexico rather than permit them to be shipped to the United States in fresh form and frozen here where they would be subject to our pure food and drug regulations.

We of the industry would indeed be remiss in our duty if we did not express our thanks for this opportunity to express ourselves with regard to this most important matter.

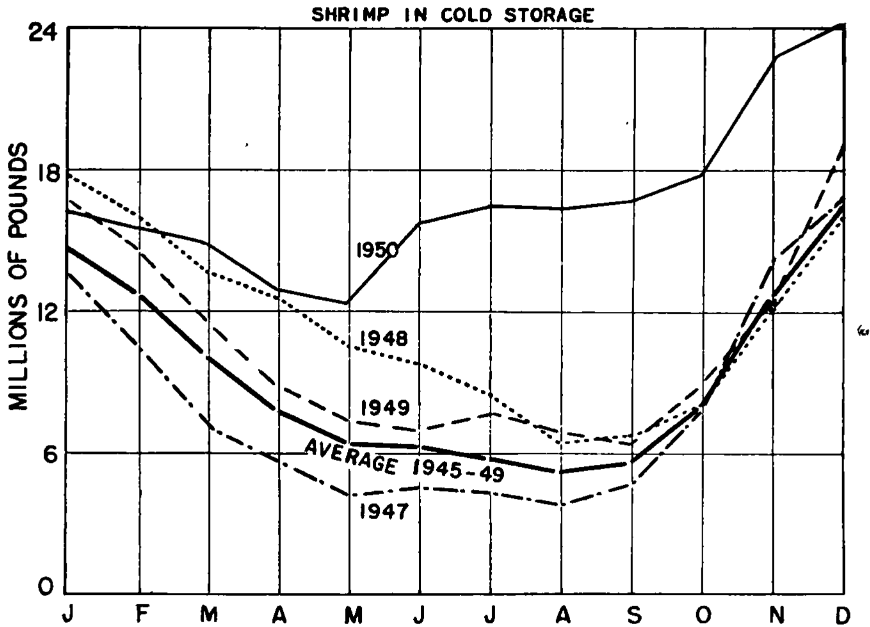
ATTACHMENT A

Imports of fresh and frozen shrimp, 1935–50

Year	From Mexico		From other countries		Total	
	Pounds	Value	Pounds	Value	Pounds	Value
1935	1,574,077	$134,450	289,872	$43,623	1,863,949	$178,073
1936	552,942	53,321	255,960	37,890	808,902	91,211
1937	2,058,741	143,664	341,334	55,662	2,400,075	199,326
1938	3,242,809	208,645	216,749	31,457	3,459,558	240,102
1939	3,797,231	225,576	186,911	33,926	3,984,142	259,502
1940	4,912,552	361,199	111,773	23,439	5,024,325	384,638
1941	3,115,933	265,611	45,899	6,595	3,161,832	272,206
1942	4,419,306	436,494	16,984	5,400	4,436,290	441,894
1943	5,746,545	1,347,387	2,776	1,398	5,749,321	1,348,785
1944	6,081,509	1,807,371	2,170	399	6,083,679	1,807,770
1945	7,873,888	2,357,355	1,901	560	7,875,789	2,357,915
1946	12,056,001	3,616,276	187,974	139,271	12,243,975	3,755,547
1947	13,228,505	5,132,000	46,460	29,265	13,274,965	5,161,265
1948	21,477,390	9,980,675	85,633	38,962	21,563,023	10,019,637
1949	29,382,193	13,450,481	291,012	155,576	29,673,205	13,606,057
1950	39,652,640	----------	545,423	----------	40,198,063	----------

NOTE.—Data on imports of fresh and frozen shrimp are understood to represent receipts of headless shrimp To convert to round weight basis—on which the domestic catch is reported—it is necessary to divide imports by 0 6. When this is done, it is found that imports of fresh and frozen shrimp in 1949, for example, represented a catch of 48,970,322 pounds.

Source: Fish and Wildlife Service, U. S. Department of the Interior.



Statement by E. S. Hall of Farmington, Conn., Representing All Americans

"Protection," votes, and peace, industrial and international

"It were to be wishes that commerce were as free between all nations of the world as it is between the several counties of England; so would all by mutual communication obtain more enjoyment. These counties do not ruin one another by trade; and neither would the nations.—*Benjamin Franklin.*

The tariff is not a purely domestic matter, nor a proper partisan issue. The presence or absence of peace on earth depends to a considerable extent upon the presence or relative absence of free trade among all peoples. We are not inclined to go to war with our suppliers or with our customers. The reciprocal trade program should be aimed at the removal of all tariff barriers and commerce restrictions, toward free trade and peace. But the tariff cannot be properly considered apart from income taxation, wages, and prices.

"The elephant never forgets," but can he ever learn anything to remember? The Smoot-Hawley tariff lost Hoover and the Republicans the votes that might have swung the election the other way in 1932. In 1948, the attempt of the Republican Eightieth Congress to cripple the reciprocal trade program was instrumental in losing the Republican majority in Congress and in the return of Governor Dewey to Albany. Republicans will do well to realize that votes go to those who try to benefit the whole people rather than to those who stand for "protection" for a few. We are beginning to ask: "Protection for whom"? As a people, we are making progress in understanding how tariff duties raise prices more than they raise wages; how they actually reduce real wages; how they cut down our standard of living; how they are only an attempt to compensate for a more basic injustice; and how the need for tariffs would not exist if the original injustice could be repealed. We have learned a lot since the Yankee and King Arthur dined with Marco the charcoal burner, Dowley the blacksmith, Dickon the boss mason, and Smug the wheelwright, as told by Mark Twain in A Connecticut Yankee in King Arthur's Court, in the chapter entitled: "Sixth-Century Political Economy."

"After dinner, the rest of us soon drifted into matters near and dear to the hearts of our sort—business and wages, of course. At first glance, things appeared to be exceedingly prosperous in this little tributary kingdom—whose lord was King Bagdemagus—as compared with the state of things in my own region. They had the "protection" system in full force here, whereas we were working down toward free trade, by easy stages, and were now about half-way. Before long, Dowley and I were doing all the talking, the others hungrily listening. Dowley warmed to his work, snuffed an advantage in the air, and began to put questions which he considered pretty awkward ones for me, and they did have something of that look:

"In your country, brother, what is the wage of a master bailiff, master hind, carter, shepherd, swineherd?"

"A quarter of a cent."

The smith's face beamed with joy. He said:

"With us, they are allowed the double of it. And what may a mechanic get—carpenter, dauber, mason, painter, blacksmith, wheelright, and the like?"

"On the average, half a cent a day."

"Ho-ho! With us they are allowed a cent a day. I've paid a cent and fifteen milrays myself, within the week. 'Rah for protection—to Sheol with free trade."

And his face shown upon the company like a sunburst. But I din't scare at all. I rigged up my pile-driver and allowed myself 15 minutes to drive him into the earth—drive him *all* in—drive him in till not even the curve of his skull should show above-ground. Here is the way I started in on him. I asked:

"What do you pay for a pound of salt?"

"A hundred milrays."

"We pay forty. What do you pay for beef and mutton—when you buy it?" That was a neat hit; it made the color come.

"It varieth somewhat, but not much; one may say seventy-five milrays the pound."

"We pay thirty-three. What do you pay for eggs?"

"Fifty milrays the dozen."

"We pay twenty. What do you pay for beer?"

"It costeth us eight and one-half milrays the pint."

"We get it for four; twenty-five bottles for a cent. What do you pay for wheat?"

"At the rate of nine hundred milrays the bushel."

"We pay four hundred. What do you pay for a man's tow-linen suit?"

"Thirteen cents."

"We pay six. What do you pay for a stuff gown for your wife?"

"Eight cents, four mills."

"Well, observe the difference: You pay 8 cents and 4 mills, we pay only 4 cents." I prepared now to sock it to him. I said: "Look here, dear friend, what's become of your high wages you were bragging so about a few minutes ago?"—and I looked around on the company with placid satisfaction, for I had slipped up on him gradually and tied him hand and foot, you see, without his ever noticing that he was being tied at all. "What's become of those noble high wages of yours?—I seem to have knocked the stuffing all out of them, it appears to me."

But if you will believe me, he merely looked surprised, that is all. He didn't grasp the situation at all, didn't even know he had walked into a trap, didn't discover that he was in a trap. I could have shot him from sheer vexation. With cloudy eye and a struggling intellect he fetched this out:

"Marry, I seem not to understand. It is proved that our wages be double thine; how then may it be that thou'st knocked therefrom the stuffing?—and I miscall not the wonderly word, this being the first time under grace and providence of God it hath been granted me to hear it."

Well, I was stunned; partly with this unlooked-for stupidity on his part, and partly because his fellows so manifestly side with him and were of his mind—if you might call it mind. My position was simple enough, plain enough; how could it ever be simplified more? However, I must try:

"Why, look here, brother Dowley, don't you see? Your wages are merely higher than ours in name, not in fact."

"Hear him! They are the double—ye have confessed it yourself."

"Yes, yes. I don't deny that at all. But that's got nothing to do with it; the amount of the wages in mere coins, with meaningless names attached to them to know them by, has got nothing to do with it. The thing is, how much can you buy with your wages?—that's the idea. While it is true that with you a good mechanic is allowed about three dollars and a half a year, and with us only about a dollar seventy-five."

"There—ye're confessing it again, ye're confessing it again!"

"Confound it, I've never denied it, I tell you! What I say is this. With us half a dollar buys more than a dollar buys with you—and therefore it stands to reason and the commonest kind of common sense, that our wages are higher than yours."

He looked dazed. What those people valued was high wages; it didn't seem to be a matter of any consequence to them whether the high wages would buy anything or not. They stood for "protection," and swore by it, which was reasonable enough, because interested parties had gulled them into the notion that it was protection which had created their high wages. Nothing could unseat their strange beliefs.

Well, I was smarting under a sense of defeat. I started talking lazy and comfortable, as if I was just talking to pass the time; and the oldest man in the world couldn't have taken the bearings of my starting-place and guessed where I was going to fetch up:

"Boys, there's a good many curious things about law, and custom, and usage, and all that sort of thing, when you come to look at it; yes, and about the drift and progress of human opinion and movement, too. There are written laws—they perish; but there are also unwritten laws—they are eternal. Take the unwritten law of wages: It says they've got to advance, little by little, straight through the centuries. My friends, I can tell you what people's wages are going to be at any date in the future you want to know, for hundreds and hundreds of years."

"What, goodman, what!"

"Yes. In 700 years wages will have risen to six times what they are now, here in your region, and farm-hands will be allowed 3 cents a day, and mechanics 6. Two hundred and fifty years later—mind you, this is law, not guesswork; a mechanic's wages will be 20 cents a day!"

There was a general gasp of awed astonishment.

"At the end of 340 years more there'll be at least one country where the mechanic's average wage will be 200 cents a day."

It knocked them absolutely dumb! Not a man of them could get his breath for upward of 2 minutes.

"In that remote day, that man will earn, with 1 week's work, that bill of goods which it takes you upward of 50 weeks to earn now. Some other pretty surprising things are going to happen, too. Brother Dowley, who is it that determines, every spring, what the particular wage of each kind of mechanic, laborer, and servant shall be for that year?"

"Sometimes the courts, sometimes the town council; but most of all, the magistrate. Ye may say, in general terms, it is the magistrate that fixes the wages."

"Doesn't ask any of those poor devils to help him fix their wages for them, does he?"

"Hm! That were an idea. The master that's to pay him the money is the one that's rightly concerned in that matter, ye will notice."

"Yes—but I thought the other man might have some little trifle at stake in it, too, and even his wife and children, poor creatures. The masters are these: nobles, rich men, the prosperous generally. These few, who do no work, determine what pay the vast hive shall have who do work. You see? They're a 'combine'—a trade-union, to coin a new phrase—who band themselves together to force their lowly brother to take what they choose to give. Thirteen hundred years hence—so says the unwritten law—the 'combine' will be the other way, and then how these fine people's posterity will fume and fret and grit their teeth over the insolent tyranny of the trade-unions. Yes, indeed. The magistrate will tranquilly arrange the wages from now clear away down into the nineteenth century; and then all of a sudden the wage earner will consider that a couple of thousand years or so is enough of this one-sided sort of thing; and he will rise up and take a hand in fixing his wages himself. Ah, he will have a long and bitter account of wrong and humiliation to settle."

"Do ye believe——"

"That he actually will help to fix his own wages? Yes, indeed. And he will be strong and able, then, and there's another detail. In that day, a master may hire a man for only just 1 day, or 1 week, or 1 month at a time, if he wants to. Moreover, a magistrate won't be able to force a man to work for a master a whole year on a stretch whether the man wants to or not."

"Will there be no law or sense in that day?"

"Both of them, Dowley. In that day a man will be his own property, not the property of magistrate and master."

"In that day a man will be his own property"—may that day come, and quickly. Our failure to realize the truth: that the employee is his own property, that he owns himself as one of the living assets of the business—that failure is the basic injustice embedded in the common laws of capitalism, the fundamental cause, deep down, of tariffs, strikes, socialism, and communism. The demand for protection, labor laws, wage and price controls—all this "must" legislation—would never have happened if the common laws of capitalism had not contained this basic injustice. Political interference in economic affairs would have been avoided—Congress would have saved itself all this work—if capitalism has recognized the personal ownership or freedom of the employee in the business: that life is a capital asset more important than money; that, by the investment of life while selling the commodity, work done, for wages, the employee owns himself as one of the living assets of the business; that his net worth to the business is his last year's production; that, as an employee in management or labor, he has the same ownership rights, responsibilities, dividend, and vote in the business which he would have had as a common owner by investing the amount of his last year's wages.

And the business cycle would not be so violent—might even grade into ever-growing prosperity—if every employer, business, and government, would assume the position of a trustee, making a just and currently complete distribution of profit (or loss), before taxes, to the accounts of the common and personal owners of the material and human assets of the business as measured by the money invested and the preceding year's payroll respectively, and payable partly in cash and partly in new common ownership of the growth assets.

Trustee's accounting, with recognition of the common ownership of the money investor and the personal ownership of the employee, is the easy, right, and honest way—the one best way—to keep books in business. But Congress has forbidden it. The code directs the tax collector to command us: "Thou shalt steal." And Government does the first and heavy part of the stealing by taxing profits.

Congress can properly lay excise taxes upon business for regulatory purposes, and to allocate materials in an emergency by raising the prices of specified consumer goods to turn production into defense goods. Excise taxes are paid by the customers; business only collects them. Indeed, business is only a tax collector; business does not and cannot pay any taxes. Congress has no right to try to tax business. The business, as an impersonal operator, has no vote; it must not be taxed. "Taxation without representation is tyranny." We had a war about that, and won on that principle.

But the business, corporate or not, has neither soul nor standard of living; it needs no income. It can prosper and grow as well on new capital, reinvested or "plowed back" from profits, or invested by new shareholders. The proper place of the business itself, as an impersonal operator, is that of a trustee, a distributor of incomes.

All tax problems and loopholes of the existing code arise either (1) from the attempt to tax business; or (2) from the use of "brackets." With trustee's accounting, business has no taxable income and is free from income taxation. All incomes are personal incomes, and the sum of all personal incomes is the national income. Every man gets all he earns. The "progressive" income tax, intended to compensate for the maldistribution of incomes, is obsolete. When all employers, business and government, use trustee's accounting, all tax problems are washed out.

The individual person, the one who works, is the final and only taxpayer. What is the one best way to tax the taxpayer? Is it the sales tax or the income tax? (1) The sales tax is not only an unmitigated nuisance to merchants and customers, it is the most unjust of all taxes. It is the "progressive" income tax turned upside down. It is a full-rate income tax on those who spend all their incomes to live, and a part-rate income tax on those in the higher "brackets." It taxes the lower income groups at the highest rate. All sales taxes, Federal and local, excepting only the excise taxes which are desirable for regulatory purposes, should be repealed, at once, by enacting the Prosperity Revenue Act.

The one best way to tax the taxpayers, directly and justly, is the income tax recommended by Adam Smith in the last chapter of the Wealth of Nations, to wit: withhold the flat-rate proportional tax on gross personal incomes—no allowances, no deductions, no loopholes, no temptations to evade, no evasion. Employers, tax-exempt by the use of trustee's accounting, withhold one flat percentage rate from all payments made to individual persons as consumers. The employers turn in the revenues currently, and file annual summaries of their accounting to show their tax exemption.

To stop inflation and reduce all prices, it is necessary to shrink the inflated money supply. Consumer credit may be safely curtailed, but drastic restriction of bank credit to business would cause business failures and hinder defense production. The practical way to rid the system of the surplus money and thus reduce all prices, is to tax it out of the pockets of the people by the flat-rate tax on the national income, the rate adjustable each year in response to trends of the general price level, to overbalance the budget, retire the bonds as they come due, and thus reduce all prices to normal and hold them there by restoring and maintaining the purchasing power of the dollar.

This is the honest road to a stable economy. This is the honest way to run a government; it is easier than deficit spending. The Treasury would never have to borrow. The interest rate and the price of bonds could be left to the free market. The wage and price controllers could quit and go home, and get useful jobs in defense production.

If business and commerce were not taxed at all—no taxes on profits and no protective tariffs—the cost of living would be so much less that the unprotected lower wages would buy a higher standard of living. The Waltham Watch Co. was a victim, not of insufficient protection, but of subversive taxation.

The Swiss watchmaker's wages may not appear to be as high as the Waltham watchmaker's wages, but they would buy much the same standard of living. The real wages, in the two cases, were approximately the same. Waltham could not properly complain about unfair competition from cheap labor in Switzerland, as there is none there. In general, the threat of cheap labor abroad is a myth. Cheap labor is expensive. Our higher standard of living is not the result of protection, but of more and better tools, more invested capital per man. The trouble is not in the lack of protection, but in our unsound tax and fiscal policies.

The idea that tariffs maintain a high standard of living is without foundation. Tariffs, like strikes, boost the cost of living more than they raise wages, and thus reduce real wages for the country as a whole. Tariff duties, strikes, supports and controls, deficit spending—these and other socializing practices are inflationary; they tend to create an unnaturally high price level here relative to levels abroad. Our national interest is served and our standard of living is raised by increasing our real wealth by maximum production, maximum imports, and minimum exports. When we export more than we import, we are not enriching ourselves; we are impoverishing ourselves.

Protection, except in relation to defense, is a fraud. By protection, we depreciate our dollars, leaving them full-sized for others. By protection, we put our farmers into the hole from which we had to dig them out by pernicious parity and price supports. By protection, we destroy our merchant marine after every war; we make it impossible to compete with foreign shipping without government subsidies to help pay seamens' wages too high in name but not high in fact. Protection may enrich a few, but only at the expense of all of us. Protection does not protect America. Slavery and the protective tariff are the two basic injustices in our laws which came to America from the Old World.

But we cannot get rid of protection until we get rid of the need for it. Stop the primary injury to business. Abolish wage slavery. Stop taxing business incomes. Set free enterprise free from taxation. It is wrong to tax the productive process by which we live. Untax business. Then, indeed, we shall need and want no protection.

The Prosperity Revenue Act will wipe out the need for protection. He who will use his leadership to legislate this all-American tax program will get all the votes in the world worth having; the votes of all businessmen—profits untaxed; the votes of all employees and stockholders, as each receives what he earns, in full; the votes of the industrious and thrifty—ability no longer discouraged by brackets; the votes of the enterprisers as they find venture capital for starting new business; the votes of dependents who benefit, directly from an honest social security system; the votes of all who believe in work, good sportsmanship, honesty, freedom and life.

Make the reciprocal trade program truly reciprocal and push it to its ultimate conclusion: world-wide free trade and peace. When the world becomes one big customs union, with unhampered commerce between all its economic republics, political frontiers will fade and war will become obsolete.

The best way to advertise and extend freedom to all mankind, is to have more freedom at home—business free from exploitation and taxation, and commerce free from barriers. Free trade is an essential part of freedom.

(Whereupon, at 12:15 p. m., the committee adjourned, to reconvene on Tuesday, March 6, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

TUESDAY, MARCH 6, 1951

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

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

Present: Senators George, Kerr, Frear, Millikin, Taft, Butler, Martin, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk, and Serge Benson, minority professional staff member.

The CHAIRMAN. The committee will come to order, please.

Our first witness is Mr. H. D. Rhynedance, of the American Optical Co.

I am going to request the witnesses to be as brief as possible, because of the unusual circumstances that face the committee.

Please identify yourself for the record.

STATEMENT OF HAROLD D. RHYNEDANCE, AMERICAN OPTICAL CO., BUFFALO, N. Y.

Mr. RHYNEDANCE. Mr. Chairman and gentlemen of the committee, my name is Harold D. Rhynedance. I am sales manager, Instrument Division, American Optical Co. at Buffalo, N. Y.

The instrument division of my company manufactures scientific optical instruments including, principally, microscopes, optical measuring instruments, and ophthalmic instruments. These are used for industrial production and research, medical practice and research, educational institution instruction and research, and Government research and control laboratories. Virtually every phase of present-day research endeavor and health control employs these instruments. Other integrated divisions of the company produce various optical goods for correcting, aiding, and protecting vision.

During World War II and under the present defense mobilization we have committed the greater part of our facilities to the production of fire control equipment and other ordnance items for the armed services. In addition, a substantial portion of our peacetime products are furnished to these services and an indeterminable volume to prime and subcontractors in connection with defense work.

We believe that the affairs of this company and the scientific optical instrument industry should be brought to the attention of this committee in order that it may consider whether the requirements of this country are best served by permitting importation of competitive instruments to a degree which threatens to undermine the very existence of the domestic industry or by isolating that industry so as

to insure an adequate core which can be expanded to meet mobilization demands in emergencies such as the present. The United Kingdom has recognized this latter alternative and, we are informed, by legislation and regulation has virtually prohibited the entry of scientific optical instruments along with other products which are considered as necessary to the defense of that nation.

It is our opinion that this problem transcends the issue of protective tariff rates since the existing structure does not constitute a barrier to present imports. We believe that the necessary increase in rates is so repugnant to the philosophy of reciprocal trade as to be completely untenable. The most efficient procedure would be to direct by statute that where a key industry is endangered it shall be relieved by import restriction, other than of a tariff duty nature, namely, an import quota or embargo as the circumstances require.

We are convinced the increasing rate of imports from Japan and Europe cannot be limited by domestic competition. In the case of microscopes which is this company's principal instrument, imports increased more than 100 percent from 1949 to 1950.

The CHAIRMAN. You deal in generalities. They mean very little to me. What were the imported items?

Mr. RHYNEDANCE. I am speaking of microscopes.

The CHAIRMAN. You say that it reached 100 percent. What were the imports in 1949?

Mr. RHYNEDANCE. My recollection is that approximately 2,600 of the type we manufacture were imported in 1949 and approximately 5,800 in 1950. The Department of Commerce has those figures.

The heart of this inability to compete is in the low manufacturing cost of foreign instruments. We know this phase has been demonstrated to you on many occasions. It is a particular aggravation in the case of our products where labor constitutes about 70 percent of the cost. Such instruments are not produced on an assembly line basis but require a great deal of skilled craftsmanship that is developed only over a substantial period of training and apprenticeship. To the best of our knowledge, the possible advantages of domestic production technology are insufficient to offset the tremendous difference in labor cost.

We are further convinced that price competition will further cut into our market so that in normal times, which we trust will soon appear, we must consider whether it will be economically feasible to operate the instrument division which has failed in recent years to return a reasonable satisfactory profit where any profit at all results.

Many industries on which this Nation must depend under defense emergencies are strong enough to resist foreign competition successfully or have no significant foreign competition with which to contend. This is not so with the scientific instrument industry which has been well developed in Europe, and Germany in particular, and for many years has been well established in the United States market. Surely, if such a dramatic war industry as the aircraft industry was at stake here no serious objection would be raised to deprive it of a healthy existence.

In the first and middle postwar years there was an accumulation of back orders which assured successful operation of the instrument division but which also permitted foreign competition to become established. With the dissipation of the backlog, the significance of the

imported instruments became better recognized and the necessity for a cut-back in production and a one-third reduction in the labor force resulted. With the impetus of developments in Korea, the demands of the military have brought about a reactivating of facilities and an increase in the labor force. The lag has, however, been a substantial factor in our inability to meet these demands. We believe we would have been much more successful in this respect had it not been necessary to make this readjustment.

The CHAIRMAN. Are there any questions?

Senator MILLIKIN. I would like to ask, do you favor the provisions of the bill which is before this committee?

Mr. RHYNEDANCE. I think our position is beyond this bill. If the tariff were left alone we still would be in difficulty. Therefore, we are stating here that something beyond a mere protection of this tariff, but certainly it should not be reduced further or it would precipitate this condition and make it necessary for us to simply close up or do our manufacturing in Japan or Germany.

Senator MILLIKIN. Exactly what would you like legislatively?

Mr. RHYNEDANCE. I am afraid I am not experienced enough to dictate exactly how this could be handled. We have discussed it with several people. There is a belief that by import restrictions, perhaps of the nature that England has it would help and does protect the vital industry.

Senator MILLIKIN. Quotas for example?

Mr. RHYNEDANCE. That is correct. I might mention to you we reduced a force from about 1,700 to about 1,100 early in 1950, and the position was as we have pictured it here.

The CHAIRMAN. How many optical manufacturers are there in your line of business?

Mr. RHYNEDANCE. Very few of any size. There are many tiny ones, but very few of any size. There is Bausch & Lomb, and Eastman Kodak, and a few of that type, but not very many large ones.

The CHAIRMAN. There are not very many large ones?

Mr. RHYNEDANCE. That do the most precise work. We found in trying to rehire the men now for the program that we have—we have accepted commitments from the Government, and want to—in trying to rehire these five or six hundred men that we let off, we have been successful in getting 100 of them. The reaction of most of those men and our labor is that there is no security in this industry without some additional protection and therefore they would rather give up their seniority and keep in the job they now have taken temporarily than to come back to us.

The CHAIRMAN. We thank you very much.

Senator MILLIKIN. Do you believe that before a concession is made in this field or any other field, if you please, that an effort should be made to determine the point below which concessions should not be made, that the test should be whether a proposed concession will safeguard or will seriously injure or threaten serious injury to domestic producers?

Mr. RHYNEDANCE. Yes, I think a study should be made to ascertain those facts.

Senator MILLIKIN. Then you would not object to a provision of law that had that general purpose in mind?

Mr. RHYNEDANCE. That is true.

Senator MILLIKIN. You have already stated that you believe that perhaps quotas might be the solution. Would you say that perhaps quotas and a proper level of concessions together might be helpful?

Mr. RHYNEDANCE. It would seem so. It is difficult for me to see all of the ramifications of this without a study, but it would seem so to me.

Senator MILLIKIN. So that if this bill deals with that subject and aims to get a proper methods of escape against profligate agreements and aims to prevent profligate agreements, you favor such provision?

Mr. RHYNEDANCE. That would seem right. It concerns us, naturally, when the Armed Forces are now buying European instruments—Italian to be exact. In 1950 they placed two sizable orders with them. And there is one now pending for another sizable order. I have the figures on the bid that has just been awarded to the Italian company. Their quotation was $329 each for these microscopes and our quotation was $420.70, which was the next lowest bid. That $420.70 constituted the maximum wholesale price, the lowest price that we could go, and only on occasions. And even with that protestion of American industries, the 25 percent which you know about, was not sufficient to get that. We have gone as far as we can experimenting to see if we could not get some of that business. It does not seem as though our Armed Forces should be dependent on a foreign source in an emergency.

The CHAIRMAN. Thank you, sir.

Mr. RHYNEDANCE. Thank you.

The CHAIRMAN. We will next hear from Mr. Harry Radcliffe of the National Council of American Importers, Inc.

STATEMENT OF HARRY S. RADCLIFFE, EXECUTIVE VICE PRESIDENT, NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC., NEW YORK, N. Y.

Mr. RADCLIFFE. Mr. Chairman and members: The National Council of American Imports was organized in March 1921, and in a week or so plans to observe its thirtieth anniversary. During the past 30 years, its representatives have appeared many times before this committee, and I am sure that most of the members of this committee know that our council is the business organization which represents American import trade in its general over-all aspects. The council does not deal with individual commodity matters. Our present membership consists of about 600 United States firms, located at the chief ports and importing centers, which either handle imported materials and products or which are directly concerned with the flow of import trade. In short, the members of our organization constitute a fairly representative cross section of our entire import trade.

Since 1934, we have steadfastly supported the reciprocal trade agreements program originally instituted by that great statesman Cordell Hull, and each time the Trade Agreements Act has been under consideration by the Congress for renewal, the national council has taken a position in favor of such legislation. Our views are, therefore, a matter of record.

When public hearings were held before the House Committee on Ways and Means in January, I appeared on behalf of our association and acting upon the authority of our board of directors, stated the

position of our organization in favor of H. R. 1612 with one suggested change in the bill. This was that the Trade Agreements Act be extended in its present form for a period of 4 years rather than 3 years. One reason for that recommendation was that after nearly 17 years of experience with this sound method for the modification of excessive tariffs and trade barriers, we are convinced that the best method of solving these trade problems is by negotiations conducted on a reciprocal basis. The trade-agreement program has become, and should remain, an essential part of the bipartisan American international economic policy. Another reason why we urge the act be extended now for a 4-year period, rather than a 3-year period, is that the next objective review of operations under the authority by the Congress should fall in 1955 rather than in the congressional election year of 1954.

Senator MILLIKIN. Why not 1953?

Mr. RADCLIFFE. That would only be a 2-year period, which is a rather short interval to have it reconsidered, in our opinion.

Senator MILLIKIN. We have been reconsidering it every 2 years and no great harm has befallen anyone.

Mr. RADCLIFFE. No; that is true.

Our position is unchanged regarding the bill, and we strongly favor the extension of the present act without any change from June 12, 1951, to June 12, 1955.

The National Council of American Importers desires to record its opposition to the four amendments added to the bill in the House. They appear wholly unnecessary to achieve the avowed purpose of giving a greater degree of protection and safety to American industry. There are two amendments in the current bill—one relating to peril points and the other to the escape clause—which we find objectionable as they are not conducive to sound administration.

Aside from the practical effects of the amendments relating to imports of agricultural products, on peril points, and the new version of the escape clause, in the future preparations for and the negotiation of trade agreements, the adoption of these amendments would constitute a clear notice to the world that the United States is no longer willing to meet its obligations of international economic leadership as the greatest creditor nation in all history.

Senator MILLIKIN. We already have escape clauses in most all of our agreements.

Mr. RADCLIFFE. Yes, indeed.

Senator MILLIKIN. Does that constitute any notice of the kind that you have just described?

Mr. RADCLIFFE. Our objection to the proposed version of the escape clause is on the administrative unsoundness of the proposal which I will develop in a moment, Senator Millikin.

Senator MILLIKIN. Just coming to the fact of an escape clause, there is nothing new?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. And its existence is welcomed as much by other countries as it is by us, is that not correct?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. So far as the administrative difficulties of the peril point are concerned we have had the peril point in effect?

Mr. RADCLIFFE. I think in effect we have had the peril-point arrangement, since the program began.

Senator MILLIKIN. Then there should be no objection to it.

Mr. RADCLIFFE. The objection is that as now proposed they would be set by one agency, rather than by the Trade Agreements Committee comprising all of the interested agencies.

Senator MILLIKIN. That is not correct. The Tariff Commission counsels with all of the agencies of the Government. The President himself had open to him all of the agencies of the Government and all of the people in connection with some 400 peril points which were set while the peril-point provision was in the law. The Tariff Commission did not operate in a vacuum of its own. It consulted with other agencies. I do not know with whom the President consulted, but he has the whole wide country open to him. I do not quite get your point.

Mr. RADCLIFFE. The point is that under the proposed amendment to the bill relating the peril point it would give that chore to the Tariff Commission alone, as I understand it. And after having set the peril points it prohibits the Tariff Commission from participating in any policy decisions or actually taking part in the negotiations.

Senator MILLIKIN. When the Tariff Commission sets a peril point that is a pretty good policy decision, is it not, so far as the Tariff Commission is concerned?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. Coming to the question of negotiation you do not understand that the Tariff Commission is an agency of the executive department of this Government?

Mr. RADCLIFFE. It is an independent agency, yes.

Senator MILLIKIN. Established by Congress?

Mr. RADCLIFFE. That is right.

Senator MILLIKIN. Required to report to Congress?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. It is not an agency of the executive department of the Government, is it?

Mr. RADCLIFFE. It is in the executive branch, naturally.

Senator MILLIKIN. Well, I will repeat my question. Did the Congress set that up?

Mr. RADCLIFFE. Yes, sir.

Senator MILLIKIN. Requiring that the reports be made to Congress?

Mr. RADCLIFFE. That is right. It is responsible to the Congress.

Senator MILLIKIN. Or is it an agency put at the disposal of the executive department of the Government for control by the executive department of this Government?

Mr. RADCLIFFE. No. Of course, it is responsible to the Congress.

Senator MILLIKIN. Under what theory should an independent agency which has a judicial or quasi-judicial function engage in negotiations on the very matters as to which it has exercised that judicial or quasi-judicial function?

Mr. RADCLIFFE. My opinion, Senator Millikin, is that the Tariff Commission people have a great deal of knowledge through their continuous studies of commodity questions. That is extremely useful in connection with the actual negotiations.

Senator MILLIKIN. They are not precluded from giving that information to negotiators. In fact, they are required to give it to them. They are over in the negotiations now.

Mr. RADCLIFFE. That is right. Under this bill they would be prohibited from being over there now.

Senator MILLIKIN. No, no. Not for giving information, but for negotiating. Does that make a difference? You would be content, in other words, if they were not precluded from giving their information to the negotiators?

Mr. RADCLIFFE. On the spot?

Senator MILLIKIN. Yes.

Mr. RADCLIFFE. On the spot.

Senator MILLIKIN. If there is no restriction on that you have no objections, so far as that point is concerned; is that correct?

Mr. RADCLIFFE. That is correct. But as I understand the language of the bill, they would be prohibited from doing that very thing.

Senator MILLIKIN. No; they are not.

Mr. RADCLIFFE. Then I have misunderstood the language of the bill.

Senator MILLIKIN. As to actual engagement in negotiations, it was suggested here the other day that is like asking the judge to sit in judgment of the issue before him, then to participate in the negotiations which might take him to an entirely different result than that effected by his own decision the correction of that is what we are aiming at.

Mr. RADCLIFFE. Yes, sir.

The CHAIRMAN. You may proceed.

Mr. RADCLIFFE. Our objections to the four amendments adopted by the House may be stated as follows:

1. The amendment relating to imports from Russia and Soviet-dominated countries or areas: It is very difficult for me to speak against this amendment, as certainly everyone in our organization strongly opposes the Communist movement.

The proposal to deny future trade-agreement rates to imports from Russia and her satellites does not seem well designed to carry out the objectives the proponents had in mind. If the Congress intends to restrict imports from Russia and her satellites, United States importers would suggest a clear-cut directive, with an effective Import Control Act providing an import licensing arrangement similar to the export license system now in effect, rather than the two-column tariff idea inherent in the proposed amendment.

Senator MILLIKIN. What is the matter with a prohibition of imports from Communist or iron curtain countries; what is the matter with it?

Mr. RADCLIFFE. We have no objection to that at all. We have no objection to a clear-cut directive or a law prohibiting imports from satellite countries unless under a license permission, but to have a denial of the trade-agreement rates to any other country infringes on our most-favored-nation policy, and we have always insisted that our exports be given the most-favored-nation treatment. It involves a principle that I think is a little dangerous.

Senator MILLIKIN. I suggest that you have the equivalent of not the form, but the substance of a license system now. I mean, we can exclude these products on the ground that they are made with slave labor.

Mr. RADCLIFFE. That is right. We did that on crab meat just recently.

Senator MILLIKIN. On the ground that they are dumping, on several available grounds, we can exclude them.

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. And when you have the power of exclusion you have the power of admittance and also what is in substance the power of the license.

Mr. RADCLIFFE. Yes, Senator, but I think one difficulty there is that to invoke the Anti-Dumping Act and these other provisions that we have would require certain procedures. I think a more direct way would be an Import Licensing Act or Control Act whereby the Department of Commerce, as they do on our exports, would decide, perhaps, that we need to import chrome and manganese and other things that the satellite countries can supply.

Senator MILLIKIN. It is the dissatisfaction of Congress, I suggest, with the decisions that have been made on this subject that has called for this particular amendment. If this amendment were enforced we would not have the administrative problem, because you would not be receiving imports from those countries. What you are suggesting is that there should be, possibly, some imports from those countries.

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. In exchange for exports to those countries?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. That is the substance of what you are suggesting?

Mr. RADCLIFFE. That is right, but it ought to be on a selective basis.

Senator MILLIKIN. That the decision should be an administrative decision and that somebody should have the power to decide that?

Mr. RADCLIFFE. That is right.

Senator MILLIKIN. I repeat that it is because of the dissatisfaction of Congress with the nature of decisions that have been made along that line that this amendment was proposed.

Mr. RADCLIFFE. The point that I raise is that this amendment, I do not believe, will achieve the objectives that the Congress has in mind.

Senator MILLIKIN. Congress has in mind the objective of shutting out imports from those countries. Why would not that be achieved?

Mr. RADCLIFFE. Because you would merely charge imports from Russian satellites at a higher tariff rate than the trade-agreement countries, and a great bulk of the items covered by the trade agreements are products of the type that are not imported from Russia or satellites at all.

Senator MILLIKIN. Than you have no problem.

Mr. RADCLIFFE. I would go further than that and get it down to the products that do come in from Russia and the satellite countries and arrange some effective control on those products rather than hitting at products that are not involved in the trade, sir.

Senator MILLIKIN. I think you have made your theory very clear.

Mr. RADCLIFFE. Yes, thank you.

It also has the very serious disadvantage of infringing on our long-established most-favored-nation policy of tariff treatment which is the same tariff treatment we have insisted upon receiving for our export products entering world markets.

We would also point out that one feature of the trade-agreements program from its inception has been that concessions in our tariffs have always been made with the foreign country which at the time was the principal supplying country of the particular product. Moreover, in every agreement, the reservation has always been made that if a country other than the original negotiating country later secured greater benefits in trade as a result of that concession, the United States could consult the original negotiating country with a view to the motivation or withdrawal of that concession.

2. The peril-point amendment: As we understand the actual mechanics of the program, so-called peril points have been determined by the Trade Agreements Committee (which includes the Tariff Commission and all other governmental departments and agencies involved) prior to every trade-agreement negotiation undertaken since 1934. The committee always decides before these negotiations take place, the maximum concession that will be made in response to requests by the negotiators representing the principal foreign supplier for reductions of our excessive tariffs. This practice has resulted in the modification of our extremely high 1930 tariff rates on thousands of individual items with no case on the record of any material injury to an American industry or agriculture.

Senator MILLIKIN. Have you been observing the course of this testimony here?

Mr. RADCLIFFE. I was here yesterday. I have not been here before?

Senator MILLIKIN. How many witnesses have we had here, Mrs. Springer, so far?

Mrs. SPRINGER. Our estimate ran between 30 or 40.

Senator MILLIKIN. About 30 or 40 witnesses. The overwhelming majority of whom claim either injury or the threat of injury. So is it not a little bit arbitrary to say that none of those people know what they are talking about and there has been no injury or the threat of injury?

Mr. RADCLIFFE. Well, I go on in my prepared statement later to say that certain special interest groups have constantly clamored about cheap foreign labor, low cost imports and foreign competition. But that appears to be largely a matter of habit.

Senator MILLIKIN. Is not your organization a special interest group?

Mr. RADCLIFFE. Yes, sir.

Senator MILLIKIN. Of course, it is.

Senator MARTIN. What about the watch industry?

Mr. RADCLIFFE. I was here yesterday when the testimony was presented and I think——

Senator MARTIN. Are they not in danger?

Mr. RADCLIFFE. I have no means of knowing.

Senator MARTIN. What about the glass industry?

Mr. RADCLIFFE. The point is that, coming back——

Senator MARTIN. What about the pottery industry; what about the fine lace industry? What about many textile industries? What about the wallpaper industry?

In my own State, Mr. Chairman, there are more than 30 what we call one-town industries. If they are shut down it means very serious unemployment of skilled working people.

Senator KERR. Does not the Senator mean rather than "one-town industries," "one-industry towns"?

Senator MARTIN. Thank you.

Senator KERR. What you are referring to are several towns whose economic health is dependent upon the success of one industry?

Senator MARTIN. That is right. You have made it clear, Senator, what I meant. That is what I am trying to get at. That is serious in a State like Pennsylvania. We have over 180 towns and cities where there are 5,000 people or more, and they depend, probably, on one industry. They are being seriously damaged by importation from what we call cheap-labor countries.

Mr. RADCLIFFE. I am aware, of course, that many of these groups have for years claimed that they were seriously damaged. They have appeared before congressional committees and before the Committee for Reciprocity Information every time the tariff rate question is up, but it is a mystery to me why these people since 1947 have not applied under the escape clause to the Tariff Commission to have their case reviewed. The watch people have, of course, done that.

Senator MARTIN. The watch people are big enough to do it, but, unfortunately, there are so many that cannot afford to employ lawyers and accountants and statisticians to do the job. I know that they are in serious trouble, because I have personally been investigating them. Importation is one thing, but where a man has the courage to go out and provide employment by production, to my mind, that is another thing.

Mr. RADCLIFFE. I suggest that we should not lose sight of the fact that there is quite a good deal of employment provided in our export industry.

Senator KERR. In what?

Mr. RADCLIFFE. In our export industries. Foreign trade does not consist of merely imports. I mean we export on balance a great deal more than we import.

Senator KERR. Are we exporting more than we are now importing?

Mr. RADCLIFFE. Yes, indeed.

Senator KERR. At this time?

Mr. RADCLIFFE. At this time, yes, sir.

Senator WILLIAMS. If you subtract from our exports that which we are giving away, are we selling more for exports?

Senator MARTIN. That is the thing.

Mr. RADCLIFFE. Unfortunately, the statistics now being issued by the Department of Commerce do not segregate the exports that are under rearmament or relief programs.

Senator WILLIAMS. All of the imports are paid for, are they not?

Mr. RADCLIFFE. Yes, indeed.

Senator WILLIAMS. And a substantial portion of our exports are being given away.

Mr. RADCLIFFE. I do not think a substantial part at the present time. That may have been true in 1946 and 1947 and part of 1948, but I think that it has tapered off quite a good deal.

Senator MILLIKIN. The testimony in the record yesterday is to the effect that as it has tapered off our imports increase and our exports decrease.

Mr. RADCLIFFE. Yes. And a good part of the increase in dollar value of our import trade has been due to higher prices being charged

abroad, rather than the physical volume. In the last 2 years there has been a marked rise in the prices of most materials. I read the other day that tin, for example, had increased 150 percent in the past year.

Senator MILLIKIN. We import tin.

Mr. RADCLIFFE. We import tin.

Senator MILLIKIN. They certainly sock us, do they not?

Mr. RADCLIFFE. They certainly do.

The CHAIRMAN. All right, please go ahead.

Mr. RADCLIFFE. It is true that certain special interest groups have constantly clamored about cheap foreign labor, low cost imports, and foreign competition. That appears to be largely a matter of habit as many of these very same groups have proclaimed fears of disaster for many, many years. That goes back to the days of 1929.

Senator KERR. They are still able to take care of themselves, you figure, so long as they can stagger up here and protest?

Mr. RADCLIFFE. Yes. Thank you.

It is strange that more of these people who constantly complain to their Senators and Congressmen about imports have not applied for relief under the escape clause procedure established in 1947, and succeeded in establishing a case.

The chief objection to the proposed peril point amendment is, of course, that it is not a sound administrative idea to single out one agency represented on the Trade Agreements Committee and the Committee for Reciprocity Information, and isolate it to perform an important specialized function, and then prohibit that agency from further participation with the other agencies of Government concerned with the problem in the actual negotiations.

3. Agricultural products amendment: This amendment calls for the future withdrawal of a trade agreement concession previously made on any particular imported agricultural product whenever the sales price of that commodity is less than the level of the price support afforded the domestic agricultural commodity. The Secretary of Agriculture would determine, from time to time, the current sales prices for the imported agricultural commodity within the United States. While our organization does not concern itself with individual commodity questions, this appears to be such a sweeping amendment covering a great variety of commodities that are both imported and subject to price support. We believe it is administratively unsound, and not in the best of interest of the national economy. We understand that representative groups such as the American Farm Bureau have objected to this amendment in previous testimony before this committee.

We feel that section 22 of the Agricultural Adjustment Act contains ample provisions for any needed protection from foreign competition, and we believe that section 22 is administratively practical and sound.

Senator MILLIKIN. Does it go beyond those agricultural products which are under support?

Mr. RADCLIFFE. Or under a program, a marketing program. It goes further, I believe, than merely the support.

Senator MILLIKIN. They are under a marketing program?

Mr. RADCLIFEE. That is right.

Senator MILLIKIN. They are eligible for support?

Mr. RADCLIFFE. Yes.

Senator MILLIKIN. That is the purpose of the relation of the marketing programs to support. How many supported products are there?

Mr. RADCLIFFE. How many price-support programs?

Senator MILLIKIN. Agricultural.

Mr. RADCLIFFE. I do not know the exact number, but I know there are a great many. It goes through quite a range of products.

Senator MILLIKIN. There are 13, I suggest.

Mr. RADCLIFFE. I thought there were more than that.

Senator MILLIKIN. There are 13 price-support programs. How many agricultural items are there that carry parity?

Mr. RADCLIFFE. I do not know that.

Senator MILLIKIN. There are 165 I am told. So there is a vast field here that does not come under this protection that you are talking about.

Mr. RADCLIFFE. That is correct, sir.

4. The escape clause amendment: We have no objection to offer in connection with the escape clause procedure which was set up in 1947, and is now in active operation under Executive order No. 10082, and certainly we would not object to an amendment to the Trade Agreements Act containing those provisions in their present form, although it hardly seems necessary.

Senator MILLIKIN. Do you believe that it should not apply where the injury was foreseen?

Mr. RADCLIFFE. Well, I think that it might be subject to a change, because I think that that is a little unrealistic to pin it down to an unforeseen development. Because when you modify the tariff rate the purpose is to increase imports.

Senator MILLIKIN. I am grateful for your answer, but you are playing it so pianissimo I can hardly hear you. Obviously, if an injury exists foreseen or unforeseen it should be relieved, should it not?

Mr. RADCLIFFE. I think it certainly should be examined.

Senator MILLIKIN. Wait—What do you mean "examined?"

Mr. RADCLIFFE. Well, I mean, under the escape clause procedure, investigate it and review it.

Senator MILLIKIN. And if it proves injury or threatens serious injury, there should be relief?

Mr. RADCLIFFE. That is right.

Senator MILLIKIN. Another feature is that there must be an increase in the quantity of the imports?

Mr. RADCLIFFE. Yes.

Senator MILLIKIN. Can you not visualize a situation that, say, in a declining market where there might not be any increase in quantity but where whatever comes in would have a serious repercussion on our domestic market?

Mr. RADCLIFFE. Well, I cannot visualize that at the moment, because if you had a general decline, as I pointed out in my statement here, you having a general situation such as we had in the depression and if there was a decline in volume of business in the domestic field, the chances are very likely that the imports would be declining at a more rapid rate.

Senator MILLIKIN. Well, you can visualize over-production in this country, can you not, industrial or agricultural?

Mr. RADCLIFFE. Yes, surely, we have our surpluses.

Senator MILLIKIN. You can realize that that might put our domestic markets into a very delicate position, can you not?

Mr. RADCLIFFE. Well, that would be a situation within the industry's own control.

Senator MILLIKIN. I am just following along now step by step. You can visualize overproduction in this country in any line might make a critical market condition, can you not?

Mr. RADCLIFFE. Yes, sir.

Senator MILLIKIN. Of course, therefore, any addition, to that kind of a situation by imports might have a very bad effect, might it not?

Mr. RADCLIFFE. It might aggravate the situation.

Senator MILLIKIN. So that the increased import part or the formula which you approve might not be a very realistic formula under certain conditions, might it?

Mr. RADCLIFFE. Well, in my opinion, unless there is a sharp increase in imports the domestic industry should look out for itself in relating its production to the demand.

Senator MILLIKIN. Of course. How about the imports being regulated to our local situation?

Mr. RADCLIFFE. Well, they are, of course, regulated by protective tariff.

Senator MILLIKIN. Yes, they are regulated; but what about a quota? I mean, if we are going to talk about regulations there is an open field for regulation. Will you deny the proposition that whether it is an increase or a decrease in importation, you can have many market situations in the United States caused by our domestic production where the seriousness of it could be aggravated by imports of any quantity?

Mr. RADCLIFFE. Well, certainly, that makes sense.

Senator MILLIKIN. You would not deny that?

Mr. RADCLIFFE. No.

Senator MILLIKIN. Let us ask you now: Would you seriously object to an escape-clause procedure that did not tie itself to unforeseen injury and did not tie itself to an increase in production?

Mr. RADCLIFFE. An increase in imports?

Senator MILLIKIN. Importation. Thank you very much for the correction.

Mr. RADCLIFFE. Well, I think that the increase in the imports should be a criteria before they resort to escape-clause procedure.

Senator MILLIKIN. But would you say that it should be an undeviating criteria which must be met, or would you say that it should be one of the factors to be considered?

Mr. RADCLIFFE. One of the factors. I think there should be flexibility.

Senator MILLIKIN. Thank you very much.

Mr. RADCLIFFE. The proposed amendment, however, would make several important changes in the present system. As we view it, the most objectionable is that it would require the Tariff Commission to undertake a full-scale investigation, including public hearings, whenever any interested party made an application for such an investigation. It is further provided that when the Tariff Commission believes no reason exists for a recommendation to the President in response to any application, it shall make a finding in support of this denial of the application. This formal denial must set forth the facts

which let to such conclusion, and also must set forth the level of duty below which, in the Commission's judgment, serious injury would occur or threaten the industry of the applicant. We are convinced that this would encourage many industries that are not in any way threatened with the slightest injury from import competition to file an application, because the very least that industry would secure as a result would be a finding of denial setting forth an official peril point for that industry.

Senator MILLIKIN. The importer has the right to go into the customs court?

Mr. RADCLIFFE. Yes, sir; certainly. An importer goes to the customs court when there is a dispute about the duty or tax customs people intend to impose.

Senator MILLIKIN. And he gets a finding there; does he not?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. There is nothing wrong with the finding; is there? In fact, the importers are most insistent that there be a finding; is that not correct?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. Why should the importer have the privilege of a finding and the producer not have one?

Mr. RADCLIFFE. Well, the point I have made was that they can make an application, and the amendment eliminates the provision for the Commission to use its judgment, whether or not an investigation should be held, and even if they find, after the investigation and public hearing, that there is no possibility of a threat of injury they must publish a finding of denial, and in that finding they must declare an official peril point for that industry.

Senator MILLIKIN. You object to the peril-point part of it?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. And only the peril-point part of it?

Mr. RADCLIFFE. Plus the work load that would be thrown on the Commission.

Senator MILLIKIN. Why should you bother yourself about that?

Mr. RADCLIFFE. Well, I have a great admiration for the Tariff Commission, and I think they are very much understaffed.

Senator MILLIKIN. I think we all do; and that is why we put a lot of responsibility on them and why we aim to do so.

Mr. RADCLIFFE. Yes, sir.

Senator MILLIKIN. Thank you.

Mr. RADCLIFFE. At the present time, the escape clause is invoked only when there have been imports in such relatively increased quantities or under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles. The proposed amendment broadens the concept of serious injury or threat of serious injury to include—

a downward trend of production, employment, and wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof.

Senator MILLIKIN. It is not an exclusive criteria, but just a part of it?

Mr. RADCLIFFE. It is a part of it; that is correct.

There are many situations in which a business enterprise experiences a temporary decline in sales in the normal course of operations.

Furthermore, in many lines of business, particularly where the merchandise is seasonal in nature, it is the practice of the industry and also of the import trade, for the enterprise to build up an inventory in anticipation of the demand which will surely develop later. When there is a general decline in sales or a downward trend in domestic production attributable in any way whatsoever to the fact that the industry has some competition from imported products, it would probably be the result of a general economic condition. In such a situation as mentioned before the imports would also probably be falling off and perhaps at a more rapid pace than the domestic items.

Finally, we believe that the proposed escape-clause amendment in its present form is administratively unsound, and we suggest some inquiry be made by your committee as to whether or not the Tariff Commission, which has been notoriously understaffed for many years, is in a position to undertake the workload that would be imposed on that agency by a new version of the escape-clause amendment.

We earnestly hope that the committee will delete the four House amendments, and extend the Trade Agreements Act in its present form until June 12, 1955.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. I would like to ask what service does your organization render the importers?

Mr. RADCLIFFE. We are a clearing house in a way for information. We keep our members advised as to the various regulations issued by the Bureau of Customs and the Government. Just now we are very busy trying to straighten out our people on the effects of the price-control program which has put us in an intolerable situation.

Senator MILLIKIN. How much of your energy do you use in your organization for increasing exports?

Mr. RADCLIFFE. We confine our activities solely to the import field.

Senator MILLIKIN. Your point is to increase imports?

Mr. RADCLIFFE. That is correct.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Thank you.

Mr. RADCLIFFE. Thank you.

The CHAIRMAN. We will next hear from Mr. J. E. Klahre, of the Northwest Horticultural Council.

Please identify yourself for the record.

STATEMENT OF J. E. KLAHRE, APPEARING FOR NORTHWEST HORTICULTURAL COUNCIL AND CHERRY GROWERS AND INDUSTRIES FOUNDATION

Mr. KLAHRE. Mr. Chairman and gentlemen, my name is J. E. Klahre. I am general manager of the Apple Growers Association, and I am appearing here this morning on behalf of the Northwest Horticultural Council and the Cherry Growers and Industries Foundation.

I am appearing today on behalf of the Northwest Horticultural Council, which includes the following organizations of fruit growers and marketers from Oregon and Washington: Washington State Apple Commission, Winter Pear Control Committee, Wenatchee

Traffic Association, Yakima Traffic Association, Hood River Traffic Association, and Medford Traffic Association.

We appreciate this opportunity to present the views of the apple and pear producers of Oregon and Washington with regard to the reciprocal-trade program and the extension of the Reciprocal Trade Agreements Act.

These Northwest fruit growers and marketers have had many years of experience in developing export markets for their products. Together with eastern apple producers and with the assistance of Office of Foreign Agricultural Relations of the United States Department of Agriculture, they had developed a world-wide outlet for United States apples and pears prior to World War II. This was not a surplus disposal or dumping program, but a normal marketing activity. These foreign markets were considered as regular outlets for United States apples and pears the same as New York and Chicago. Consumers in these world markets had come to appreciate and demand United States apples and pears.

During the 5-year period 1934–38, United States exports of apples and pears, tables 1 and 2, reached an average of 12.7 million bushels annually. Of this total 60–75 percent originated in Oregon and Washington. Since 1945 exports of United States apples and pears have dropped from an annual average of 12.7 million to 4.1 million bushels. During the same time apple and pear imports have increased from 27,000 bushels annually to an average of 1.5 million bushels annually.

Senator KERR. Where do they come from?

Mr. KLAHRE. The apples come from Canada and the pears from the Argentine.

Considering their wide experience in the export field it was natural for Oregon and Washington producers to endorse the objectives of the reciprocal-trade program as a means of stimulating foreign trade in apples and pears. The Northwest Horticultural Council has urged the extension of the Reciprocal Trade Agreements Act each time that it has come up for renewal. In 1949 we urged the inclusion of the peril-point amendment. This time we urge the extension of the act provided it includes the safeguards to domestic producers such as outlined in H. R. 1612.

We take this position reluctantly but firmly. We have become somewhat disillusioned as to the interpretion of the principle of reciprocity and are impatient with the tolerance of our Government toward the frequent unilateral and discriminatory actions on the part of those countries which have signed reciprocal trade treaties with our Government. H. R. 1612 will not directly correct these faults of administration but will provide standards for the application of the escape clause which are badly needed, and will deter further concessions when these could be shown to be perilous to the existence of domestic producers.

Insofar as applies and pears are concerned, the reciprocal trade program has fallen far short of its potentialities in stimulating foreign trade. Based on our experience the concessions granted United States apples and pears have in many cases been inadequate and many concessions which have been granted have been nullified by failure to grant the necessary import licenses or the necessary exchange to facilitate purchase of United States apples and pears.

In other cases signatory countries are reported to have been negotiating bilateral treaties with other countries for their supply of fruit while they were negotiating reciprocal-trade treaties with us.

Senator MILLIKIN. So the alleged concession is merely window dressing, and they put quotas and restrictions on you by these devices which you have detailed; is that correct?

Mr. KLAHRE. It would not be fair for me to impugn the motives. I am simply stating the facts. This is what they have done; correct.

Such procedure suggests an unwarranted tolerance on the part of our Government with tactics which have no place in a reciprocal-trade program. I will comment on this practice later on in my testimony.

Your attention has been directed, in the Secretary's report last week, to the fact that as a result of the reciprocal-trade program 29 countries have granted concessions on United States apples and 21 countries have granted concessions on United States pears. It is natural to expect that such a formidable list of concessions should result in increased exports of United States apples and pears to the countries which have granted these concessions. These results have not been forthcoming.

Tables 1 and 2, prepared by the United States Department of Agriculture, show that the only 2 of the 29 countries which granted concessions on apples, namely, Cuba and Venezuela, have increased their purchases of United States apples since 1945. Of the 21 countries which granted concessions on pears only 3 countries, namely, Cuba, Venezuela, and Brazil, have increased their purchases of United States pears since 1945.

We are not unmindful of the so-called dollar shortage and the reluctance of European countries to spend dollars for fruit. However, considering the United States export subsidy that has been available during the past 2 years it seems strange that these recipients of United States loans and grants were not willing to make at least token purchases of the popular United States apples and pears.

Senator MILLIKIN. Our choice apples and choice pears are just about the finest in the world; are they not?

Mr. KLAHRE. The demand that we get through our importers, or the letters that we get, would indicate that the European countries want them.

Senator MILLIKIN. Thank you.

Mr. KLAHRE. Take the case of the United Kingdom, for example. In accordance with concessions granted by the British at Geneva, United States apples should be admitted duty free during the period August 16 to April 15 of each year.

Senator KERR. How would you calculate that?

Mr. KLAHRE. How do you mean?

Senator KERR. How long is it from August 16, 1951, to April 15, 1951?

Mr. KLAHRE. I should have said "each season." I beg your pardon.

Senator KERR. I wondered if it was not from August 1951 to April 1952.

Mr. KLAHRE. That is correct. I should have said "each season" instead of "each year." Thank you, sir.

They should have resulted in increased purchases of United States apples and pears by the British. But this has not happened because

they have consistently refused to grant the necessary import licenses or exchange.

Furthermore, it is reported that the British Government has negotiated a series of bilateral agreements with Denmark, Italy, Palestine, and South Africa for their fruit requirements. Recently they have placed fruit on open license from all countries except the United States and Canada. This is the kind of discriminatory treatment to which we object.

May I say here that it is difficult for us. We must say it is reported, because we do not have copies of these bilateral treaties, and we cannot get them. So, we simply have to say that it is reported. The failure to sell to these countries is indication that there is some truth to the report.

France, Belgium, Holland, Denmark, and Sweden were important purchasers of United States apples and pears prior to the war. All of these countries have signed reciprocal-trade agreements with this country granting some concessions on United States apples and pears. Like the United Kingdom they have nullified the intent and effect of these concessions by refusing import licenses or exchange to implement the purchase of our fruit. These countries are also reported to have negotiated bilateral agreements with each other and with Italy, Spain, and Palestine for their fruit requirements.

Most of these countries are feverishly endeavoring to become self-sufficient as to apples and pears. With ECA encouragement and assistance they have sent technical missions to the producing areas of our country to learn more of our know-how. Is it any wonder that we question the spirit behind the concessions in the reciprocal-trade treaties that we have signed with these countries?

One of the outstanding export sales managers in the Pacific Northwest has just concluded an intensive on-the-ground study of the European markets for United States apples and pears. His conclusions with respect to the results of the administration of the reciprocal trade agreements program are very discouraging. I quote a cable from him reporting his findings and observations:

> United States multilateral principles submerged and nullified by Flood Foreign Bilateral Agreements which contain strong flavor permanent protectionism. Notwithstanding United States embassies ECA's cooperation their influence alarmingly ineffective. See no solution except specific amendment Trade Agreements Act authorizing instructing administrative departments to negotiate bilateral agreements supplementary to general trade agreements specifically covering perennial horticultural products designed to assure continuous adequate access to traditional markets otherwise I cannot longer support Trade Agreements Act and would revert to bilateralism whereunder United States bargaining powers be reinstated.

The Northwest Horticultural Council is not yet ready to go as far as his cable suggests; nevertheless, his findings coincide with the experience of all of our exporters.

Senator MILLIKIN. We are about the only country of any importance that is not engaging in those bilateral agreements?

Mr. KLAHRE. According to the reports we get; yes, sir.

With respect to Canada, the concessions granted on United States apples are token concessions and are not intended to encourage the imports of United States apples by Canada. As a result of the trade agreements negotiated with Canada, the United States has reduced the duty on all apples from approximately 50 cents to 12½ cents per

bushel. Canada has eliminated the duty on apples during May and June when United States producers have practically no apples to export, but still maintains a prohibitive duty of 37½ cents per bushel during the normal 10 months marketing season. Their tariffs on pears, cherries, apricots, and peaches exhibit the same protectionist pattern as apples but for shorter periods. Our Government seemingly cannot understand why United States apple and pear producers feel the need for safeguards during seasons of heavy production, yet they grant such concessions to Canada and other countries as a matter of course. Our producers feel that they have been discriminated against in this respect by their own Government.

Since the United States tariff on apples and pears has been reduced to 12½ cents per bushel we have very little bargaining power left. However, we believe that the legitimate interests of apple and pear producers can be safeguarded and the administration of the act improved if the following amendments and changes are adopted:

1. Extend the Reciprocal Trade Agreements Act as provided in H. R. 1612.

May I observe that we as practical exporters are not saying that every word in that amendment is correct, but the intent of it is what we are speaking for.

Senator MILLIKIN. Which amendment are you talking about?

Mr. KLAHRE. H. R. 1612.

2. Strike out the first sentence of section 352 of the Tariff Act of 1930 which would then permit a domestic producer to get a Tariff Commission investigation of the foreign and domestic cost of production and an adjustment of the tariff in accordance therewith if the facts so warrant.

While I have not heard much of that at these hearings, this to me seems to be one of the most important things coming up because of the tremendous increase in the domestic cost of production of many items.

3. Adopt the so-called Knowland amendment which provides for the termination of concessions granted to countries which have been found upon investigation by the Tariff Commission to have discriminated against American commerce through restrictive trade practices or have withdrawn, nullified, or otherwise made ineffective a substantial portion of the trade concessions made to the United States in such agreement.

4. Adopt the Magnuson-Morse amendment to the Agricultural Adjustment Act as submitted in Senate 983 in order to assure that the original intent of the law is carried out promptly. This is particularly important in the case of apples and pears where time for investigation is limited.

Taken collectively these amendments should largely eliminate the discriminatory and unreciprocal actions which have too frequently been tolerated by our Government in the administration of the reciprocal trade program and should provide adequate safeguards for domestic producers of apples and pears during the present period of rapidly rising production and marketing costs.

The CHAIRMAN. I notice that you have some tables attached to your paper. Would you like to have them included in the record?

Mr. KLAHRE. Yes, I would appreciate that.

The CHAIRMAN. They will be made a part of the record at this point.

(Tables 1 and 2 are as follows:)

TABLE 1.—*Apples, fresh: Exports from the United States by country of destination, average, 1934–38, annual, 1946–49*

[Thousands of bushels]

Country of destination	Year beginning July 1				
	1934–38	1946	1947	1948	1949 [1]
Europe:					
United Kingdom	4,261	1,707	1	(2)	800
France	1,238	(2)	0	0	0
Germany	665	0	0	0	10
Netherlands	888	46	0	37	52
Sweden	393	816	316	0	12
Belgium and Luxemburg	799	373	38	282	192
Finland	117	0	0	0	0
Switzerland	4	9	9	8	195
Norway	95	(2)	(2)	0	(2)
Denmark	36	0	0	0	0
Other Europe	67	5	0	(2)	[3] 19
Total	8,563	2,956	364	327	1,280
Latin-American Republics:					
Brazil	133	146	74	34	8
Cuba	91	287	319	240	275
Mexico	35	292	191	39	32
Venezuela	9	68	276	161	182
Colombia	2	25	20	14	6
Republic of Panama	35	11	20	17	34
Panama Canal Zone	(2)	21	19	10	9
Other Latin-American Republics	150	48	49	42	[4] 96
Total	455	898	968	557	642
Other countries:					
Canada	259	392	218	68	151
Republic of the Philippines	109	531	968	355	392
Hong Kong	46	193	259	60	422
Curacao (N. W. I.)	11	25	31	25	25
Ceylon	14	23	30	0	0
Others	560	163	42	28	[5] 64
Total	999	1,327	1,548	536	1,054
Grand total	10,017	5,181	2,880	1,420	2,976

[1] 11 months only (July through May).
[2] Less than 500.
[3] Ireland.
[4] Includes the following: Chile, 50,000 bushels; Dominican Republic, 17,000 bushels.
[5] Includes British Malaya, 46,000 bushels.

Source: U. S. Department of Agriculture, Office of Foreign Agricultural Relations. Compiled from Official records of the Department of Commerce.

TABLE 2.—*Pears: Exports from the United States by country of destination, average 1934–38, annual 1946–49*

[Thousands of bushels]

Country of destination	Year beginning July 1—				
	Average, 1934–38	1946	1947	1948	1949 [1]
Canada (includes Newfoundland and Labrador)	364	566	376	1	126
Mexico	8	38	25	3	3
Panama, Republic of	8	2	7	5	9
Panama Canal Zone	(2)	5	3	2	2
Bermuda	(2)	2	1	(3)	(3)
Cuba	25	56	82	43	54
Curacao (Netherlands West Indies)	2	5	6	3	4
Dominican Republic	1	2	4	2	2
Belgium and Luxemburg	31	28	1	60	47
Eire	1	1	2	0	1
Netherlands	141	18	5	11	0
Sweden	131	346	94	0	0
United Kingdom	1,277	875	481	0	0
Palestine and Trans-Jordan	29	11	6	(3)	0
Hong Kong	4	1	5	2	6
Philippines, Republic of the	2	2	5	2	2
Brazil	88	148	204	106	95
Colombia	(3)	2	4	2	1
Venezuela	4	18	94	54	89
Egypt	54	18	1	0	0
Others	[4] 476	8	3	[5] 8	[6] 16
Total	2,646	2,154	1,409	304	457

[1] 11 months only (July-May)
[2] Included in Republic of Panama prior to January 1938.
[3] Less than 500 bushels
[4] Includes the following: France, 351,000 bushels; Germany, 35,000 bushels, Argentina, 11,000 bushels; and Palestine, 32,000 bushels.
[5] Includes 5,000 bushels to Switzerland
[6] Includes 5,000 bushels to Switzerland and 3,000 to Finland.

Source: U. S. Department of Agriculture, Office of Foreign Agricultural Relations. Compiled from official records of the Department of Commerce.

Senator MILLIKIN. You have stated your desire for those special amendments. Irrespective of those special amendments, do you favor the House bill that is before us?

Mr. KLAHRE. Yes, sir.

Senator MILLIKIN. Thank you.

Mr. KLAHRE. Yes, section 8 is not well adopted to perishables, because we are not subject to price support, and our general analysis of the bill is that it is more time-consuming, that is, in the case of a commodity like wheat, which would have plenty of time to ask for relief under an escape clause or to apply section 8, but in the case of apples, for example, the first authoritative United States Department of Agriculture report of production comes August 15. By September 15, the Canadians, for example, if they are going to import, they must know whether there will be any restriction. So, we have a short period of 1 month for all of these administrative procedures. That, I assure you, is a very short period.

Senator MILLIKIN. Again, passing the question of legislation designed to suit special groups, considering it from the standpoint of general legislation, you approve the bill?

Mr. KLAHRE. Yes, sir, I do.

Mr. Chairman, I will not read the brief that I have submitted on the part of the Cherry Growers and Industries Foundation. Their

interests are slightly different, but the conclusions are practically the same.

The CHAIRMAN. You may put it in the record, if you wish to do so.

Mr. KLAHRE. I will do so.

(The paper referred to is as follows:)

MARCH 5, 1951.

Re hearing on H. R. 1612, Trade Agreements Act.

Committee on Finance, United States Senate:

GENTLEMEN: The Cherry Growers and Industries Foundation representing growers, processors, and shippers in the States of California, Oregon, Washington, and Idaho, desire to record their approval of H. R. 1612 and especially sections 3, 4, 5, and 7 thereof.

Section 8 of the bill is not presently of value to the cherry industry because of the fact that cherries are not now a support commodity.

With respect to the peril point amendment sections 3, 4, and 5, we have consistently maintained that the President should have the benefit of the expert and impartial findings of the Tariff Commission relative to the possible effects of tariff reductions upon domestic producers before he enters into a trade agreement making such tariff reduction. We urge that these sections be retained.

We approve the revision of the escape clause in section 7. It is a substantial improvement over the present escape clause, which is not well understood by producers and hence has not been used by them as often as it should.

The cherry industry urges the Congress to amend the Tariff Act of 1930 by striking out the first sentence of section 352 (a) which reads as follows:

"The provisions of sections 336 and 516 (b) of this title shall not apply to any article with respect to the importation of which into the United States a foreign-trade agreement has been concluded pursuant to part III of this subtitle, or to any provision of such agreement."

This would permit domestic producers of commodities included in reciprocal-trade agreements to get a Tariff Commission investigation of the foreign and domestic costs of production and an adjustment of the tariff if the facts so warrant.

This amendment of section 352 of the Tariff Act of 1930 is especially important in view of the rapidly rising cost of production of most agricultural commodities and especially commodities like cherries in which hand labor for production and harvesting constitute such an important element of cost.

It will be appreciated if this statement may be included in the record of your committee hearings on H. R. 1612.

Respectfully submitted.

CHERRY GROWERS AND INDUSTRY FOUNDATION,
By J. E. KLAHRE.

The CHAIRMAN. Thank you for your appearance.

Mr. KLAHRE. Thank you for your courtesy in hearing me.

The CHAIRMAN. We will next hear from Mr. Arthur Besse, of the National Association of Wool Manufacturers.

Please identify yourself for the record.

STATEMENT OF ARTHUR BESSE, PRESIDENT, NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

Mr. BESSE. It is my personal opinion, and the opinion of the group which I represent, that the trade agreements program should not be extended in any form.

There is nothing in the theory behind the program nor in the record of the program's operations during the past 16 years which justifies its further extension.

The CHAIRMAN. Was that not your original view?

Mr. BESSE. That was my original view; yes, sir.

The CHAIRMAN. I think I recall that. Very well, proceed.

Mr. BESSE. In discussing the theory underlining the program I will refrain from any detailed analysis of the objectives stated in section

350 of the tariff act. It will be remembered that the program was to promote peace, to overcome the depression, to bring about a balance between agriculture, mining, manufacturing, and commerce, and to increase the purchasing power of the American public. More recently other objectives have been outlined.

It is perhaps not inaccurate to describe these stated objectives as largely selling talk which probably should not be taken too seriously. It may be said, however, that this selling talk, because of its source, did prejudice many people in favor of the program.

The underlying theory of the program—if I am able to extract it from the sales talk—appears to be based on two assumptions. The first assumption is that the proper way to reduce trade barriers is by mutual agreement between two or more countries, each of which is to make simultaneous reductions in tariffs or other trade barriers. The second assumption is that reductions in tariffs can be made which will not damage the economy of the country making the reduction but which, nevertheless, will be of a magnitude which will represent a significant gain to the other countries involved.

I would like to analyze briefly these two assumptions.

First, the mutual reduction of tariffs:

The idea that because the United States may be in a position to establish lower average tariff rates than were set in 1922 or 1930 Great Britain should be able to do likewise is utterly unrealistic. The chances are that the very circumstances which at least temporarily lessen the need for tariff protection in the United States operate to make higher tariffs more necessary in Great Britain. The degree to which domestic enterprises in any country require protection from competitive imports depends primarily upon the strength of consumer demand, the relative efficiency in manufacture as between the different countries, and the ratio at which an importing country's currency can be converted into the currency of competing countries.

For example, if demand in the United States is strong enough to absorb imports as well as the entire output of domestic producers, there is lessened need of a high tariff to restrict imports.

If domestic producers achieve an increased degree of efficiency by reason of new equipment, new processes, or otherwise, and competitors abroad do not attain a like increase in efficiency, the domestic producers can successfully compete with imports even though such imports are subject to lower duties than before.

An improvement of foreign currencies as against the dollar oprates to increase the landed price of items imported into the United States and enables the domestic producers to meet the price competition of imports which carry a lesser rate of duty than formerly.

But circumstances such as these, which lessen the need for tariffs on imports into the United States, operate also to stimulate United States exports and make it easier for those exports to undersell foreign products in the countries where such products originate. Such countries find it necessary to intensify their import restrictions to protect their own producers due to the very causes which operate to make high tariffs less necessary in the United States.

Tariffs—and other import restrictions—are primarily equalizers of trade and are needed to offset wide differences in production potentials or price levels as between different countries. Once this fact is understood it becomes clear that the most effective way to equalize

is to apply corrective measures at both ends, relaxing tariffs and controls at one end and increasing them at the other. To relax them at both ends simultaneously tends to perpetuate existing inequalities.

The fact that this is admittedly a simplification of the problem which omits discussion of the complications of multilateral trade, does not alter the validity of the conclusion, namely, that the very circumstances which permit a reduction of import controls in certain countries, necessitate an increased use of such controls in other areas.

The architects and supporters of the trade agreements program have never understood the futility of simultaneous reduction of import controls by creditor and debtor nations alike. The result has been that many countries which have reduced their tariffs at the insistence of this country have found it necessary either to withdraw the reductions or to cancel out their effect by resorting to the use of other barriers, such as import licences, currency controls, quotas, et cetera.

The whole theory of such simultaneous reductions is, in my opinion, economically unsound.

The second fallacy is the theory that concessions can be made to provide freer access to the markets of a particular country which will not damage producers in that country but which will be of real value to competing producers in other countries. This is what supporters of the program have stoutly maintained until recently. Mr. Acheson and Mr. Hoffman both admitted a year ago that damage to domestic enterprises was probably inevitable, but many others still cling to the no-damage theory.

The trade-agreements program concerns itself with dutiable imports into the United States. These, almost without exception, are competitive with like domestic products which in normal times are turned out in volume generally sufficient to satisfy domestic demands. If a reduction in United States tariffs operates to increase imports—which, of course, is the purpose of the reduction—it follows that domestic producers can supply a smaller percentage of the domestic market than they formerly enjoyed. It is difficult for me to understand how the part of our market which is handed over to competitors abroad can possibly be any larger than that which is taken away from our domestic producers.

The supporters of the program who continually try to emphasize the lack of damage to domestic industry are in effect saying that the program has been of no benefit to foreign producers. In some cases damage has been done to domestic producers, and in such instances requests for the application of the escape clause are met with objections from foreign interests who consider they have acquired vested rights in our markets. The State Department seems reluctant to use the escape clause because it feels that would recapture a slice of our domestic market from foreign producers and reduce their exports to us. The advocates of the program look at what we may call this disputed area of our market through the outer end of the telescope when they consider the problem of the domestic producer and look through the inner end when they contemplate the benefits that are accorded foreign competitors.

An interesting example of this technique of reversing the telescope is found in the Department of State publication 4032 on Expanding World Trade.

The article states that in 1948 and 1949 United States exports exceeded imports by 5 billion dollars a year. It goes on to say that there are two possible ways of eliminating this 5 billion deficit without charging it to the United States taxpayer. One method is to reduce United States exports to the level of imports and the other is to increase imports to the level of exports. The effect of the first alternative on our domestic economy is explored in detail. The second alternative is explored only as respects its effect abroad.

The statement is made that reducing exports by 5 billion "would involve reducing United States production and employment in export industries * * * and contribute to a spiral recession in the American national economy." What is not said is that increasing imports by 5 billion, that is, competitive imports to be promoted by tariff reductions, would reduce production and employment in competitive industries and contribute to a spiral recession in the American national economy. In both instances we are talking about 5 billions of production. The State Department, which shows great concern about cutting production by that amount in our export industries, does not even bother to consider what happens when you cut a like amount from the production of those of our industries that are vulnerable to import competition.

It seems to me that if the program operates to increase competitive imports it must inevitably damage domestic enterprises; if it does not increase competitive imports, it is not a program.

Senator KERR. Do you know how much of our imports are products not produced in this country?

Mr. BESSE. Very small. Excuse me, the imports that are dutiable represent a very small percentage which are not competitive.

Senator KERR. Do you know what part of our imports are of products not produced in this country?

Mr. BESSE. Not produced in this country?

Senator KERR. Yes.

Mr. BESSE. Not produced at all or not produced in sufficient quantities; the imports on the free list?

Senator KERR. If you do not understand the question, forget it. Go ahead with your statement.

Senator MILLIKIN. Let me bring to your mind the fact which is so well known that about 60 percent of the dollar volume of our list is duty-free such as on tin and rubber and coffee and things of that kind, it may be that Senator Kerr was probing into that feature of the situation.

Senator KERR. I am perfectly aware of the information and supposed he was and would be willing to answer the question. He seemed that he wanted to argue, and I was not interested in that.

Mr. BESSE. I am afraid I did not quite understand the question.

Senator KERR. I am sure that I understood the answer.

Mr. BESSE. I would now like to consider briefly the effect of the trade agreements program on existing barriers to world trade.

In spite of flowing promises and high expectations in some quarters there has been no reduction in trade barriers abroad, particularly in barriers designed to reduce the importation of products from the United States. I am not denying that there are a number of circumstances which account for such barriers; I am only saying that progressive reductions in United States tariffs have not been accompanied

by relaxation of controls in other countries. Where other countries have reduced actual tariff rates they have insulated themselves against the probable effects of such reductions by the use of other devices. It is freely admitted that barriers to the sale of United States goods abroad have never been more restrictive.

The February 12 issue of the Foreign Commerce Weekly—United States Department of Commerce—contains on pages 27 and 28 a table which shows that the only countries not requiring import permits are Canada, Ireland, Ethiopa, Iran, Paraguay, Peru, and relatively small countries in the Caribbean area and Central America. Even Canada, Ireland, and Venezuela require permits in some cases. Panama and Iran place quotas on certain imports. Peru prohibits altogether the importation of some items from the United States. All of the other major trading countries require import licenses and restrict imports by the simple expedient of not granting the license. Quotas, dual exchange rates, and foreign exchange control are the rule rather than the exception.

Senator MILLIKIN. They also have monetary controls?

Mr. BESSE. I was saying that. They are the rule, rather than the exception.

The CHAIRMAN. That was necessary at time when these countries did not have any dollar exchange, and they were obliged to channel their purchases to those necessities that their populations required, was that not true?

Mr. BESSE. That is exactly what I said. I mentioned the fact that there were circumstances that made those controls necessary, but the fact remains that we have not been able through the trade agreements or otherwise to get rid of those controls. That was the sole point I wanted to make. I am not criticizing any country for imposing them. Most of them have had to do it, for the reason that I pointed out in the beginning, that the circumstances which temporarily allow us to operate under lower tariffs operate in the reverse ratio for these other countries.

The CHAIRMAN. I can see how that was necessary, particularly during this postwar period.

Mr. BESSE. The fact that outside of the United States trade barriers are far higher today than they were when the trade agreements program was inaugurated, does not perhaps prove that I am correct in my analysis of the fallacy of its underlying theory. It certainly does show that the program has failed completely to remove trade barriers abroad.

What has the program done then? It has done two things. It has rigidified our tariff structure, and it has drastically reduced the level of United States import duties.

Mr. Hull's primary aim in embarking on the trade agreements program was to capture control of our tariff structure and make reductions which he felt, he said, he could never induce Congress itself to make. And I cite from Memoirs of Cordell Hull, pages 354–358.

The State Department still believes Congress should have no voice in the matter. The Department goes even further and ties its own hands and the President's lest either be tempted in the future to show solicitude toward domestic enterprises. Twice the Department has entered into new agreements extending for an additional 3 years many individual trade treaties. This was completely unnecessary since all

agreements continue indefinitely unless one of the parties thereto wishes, after 3 years, to cancel an agreement on 6 months' notice. The only purpose I can see for these extensions is the State Department's desire to postpone for another 3 years any possibility of being instructed by the Congress to terminate an agreement which Congress might feel was injurious to this country.

Another device for tying the hands of Congress is the practice of binding articles on the free list. It is most unrealistic to suggest that any country would accord us a concession because we agree to bind an item on the free list; other countries know that only Congress can take a commodity off the free list. The object appears to be to stymie any possible move to put a duty on any item now on the free list. The State Department takes no chances on this point. It has, in many instances, bound the same item on the free list in a number of different agreements so that if perchance one of the agreements were canceled, the item would still be beyond the reach of any congressional action even though developments might indicate the desirability of imposing a duty.

I have never seen any mention of the fact that the President has no authority to bind anything on the free list. It is certainly difficult to see how he derives such authority from section 350, the trade agreements paragraph.

The law gives the President authority to take appropriate action when—

> he finds as a fact that any existing duties or other import restrictions * * * are restricting the foreign trade of the United States * * *.

Since the items on the free list are subject to no existing duties and since such nonexistent duties cannot be held to be a restriction on foreign trade, there would seem to be no warrant for freezing items on the free list.

All will agree that what the program has done is to reduce United States tariffs. This has been done without securing a relaxation of trade barriers abroad, as I have already pointed out, due to the fact that most foreign countries are not in a position to relax their barriers for the very reasons that have permitted a relaxation here.

The real argument springs from a difference of opinion as to whether the reductions have gone too far and whether the United States will find it necessary before long to reverse direction and increase some important tariff rates.

The reductions in United States tariffs have, indeed, been spectacular. In 1932 the United States collected 59.1 cents per dollar of dutiable imports. In 1949 the figure was only 13.6 cents per dollar, less than a quarter of the amount collected in 1932.

Take all imports, both dutiable and free, the amount collected was 19.6 cents per dollar of imports in 1932 and only 5.3 cents per dollar of imports in 1949.

Senator KERR. Do you have the totals?

Mr. BESSE. The total of duties collected?

Senator KERR. Yes.

Mr. BESSE. I do not have it here; no, sir. I have it available.

Senator KERR. I wonder if you would put that into the record?

Mr. BESSE. I shall be delighted to put that in the record.

(The information requested is as follows:)

Memorandum to Mrs. Springer, Senate Finance Committee:

The following are the figures Mr. Besse promised to supply for the record:

VALUE OF DUTIABLE IMPORTS

In 1932 dutiable imports were of a total value of $439,557,000 on which the total duties collected were $259,600,000. This represented 59.1 percent per dollar of duitable imports.

In 1949 the total value of dutiable imports was $2,711,805,000 on which the duties collected totaled $374,291,000. This represented 13.8 percent per dollar of dutiable imports.

VALUE OF ALL IMPORTS

In 1932 the total value of all imports was $1,325,093,000 on which the duties collected were $259,600,000. This represented 19.6 percent per dollar of all imports.

In 1949 the value of all imports was $6,598,059,000 on which the duties collected were $374,291,000. This represented approximately 5.3 percent per dollar of all imports.

EUGENE O'DUNNE, Jr.

Senator MILLIKIN. The State Department's theory of its right to bind the free-list items arises out of section 350 (a) (2) of the Trade Agreements Act of 1934, as amended, reading as follows:

(2) To proclaim such modifications of existing duties and other import restrictions or such additional import restrictions or such continuance of existing customs and for such minimum periods of existing customs or excise treatment of any article covered by foreign trade agreements.

That is the State Department's theory.

Mr. BESSE. Does that not still go back to the first section of the act that requires some show of impediment to foreign trade?

Senator MILLIKIN. You could make a showing, I suggest, that uncertainty about the continuance of a free-list item might be an impediment to foreign trade. That would be the State Department's theory.

Mr. BESSE. Thank you very much. I have wondered about that.

Senator MILLIKIN. I am playing devil's advocate for the moment.

Senator KERR. At the bottom of page 10, you make an estimate as to how much more in dollars and cents were collected in 1932 than in 1949.

Mr. BESSE. Well, those are the figures you want me to put in the record.

Senator KERR. I just wondered, if you had such a general impression about it, that you cared to make an estimate at this time.

Mr. BESSE. I would not want to estimate the figures. They are matters of record, and I would rather furnish you the actual record.

Senator KERR. Very well.

Mr. BESSE. A part of this reduction is accounted for by the fact that specific duties of so much per pound, per dozen, per gallon, and so forth, amount to less and less per dollar of value as prices increase. The greater part of the reduction, however, is due to the drastic reduction of rates under the trade agreements program.

It is my opinion that the reductions have gone altogether too far in view of the great disparity of wages in this and in other countries and in the light of current exchange ratios between the dollar and other currencies.

Senator KERR. You state here that in your view the reductions have gone altogether too far. I believe your position is that they should not have started.

Mr. BESSE. I do not say that.

Senator KERR. I thought you said you were against the program when it started and had been continuously since.

Mr. BESSE. I am. The purport of my brief is to suggest to you that whatever you want to do with tariffs the trade agreements program is not the proper machinery for accomplishing it.

Senator KERR. Well, the statement in which you say that they have gone altogether too far is to be interpreted, I presume, by the committee harmoniously with your previously stated view that they should never have started. If that is not correct, say so, and if it is, say so.

Mr. BESSE. I did not say that the reductions never should have started. I am arguing against the program.

Senator KERR. Have the reductions been brought about under the program?

Mr. BESSE. Yes; they have.

Senator KERR. Have you favored the reductions while opposing the program?

Mr. BESSE. No; I have not.

Senator KERR. Then you were against the reductions?

Mr. BESSE. As far as our industry is concerned; yes, sir.

Senator KERR. Well, now, does that limit your general position or is it your position that you were just against the reductions?

Mr. BESSE. I am trying to make a difference between a tariff reduction and the program under which it is reduced.

Senator KERR. Then do you go back to the question I previously asked you—I asked you if you were for the reduction but opposed to the program. I thought you said no.

Mr. BESSE. You are asking me if I am for tariff reductions?

Senator KERR. I am asking you if you are for these reductions.

Mr. BESSE. Which reductions then?

Senator KERR. The ones you referred to in your statement.

Mr. BESSE. That represents the sum of all of the reductions made since this trade agreements program was inaugurated in 1934.

Senator KERR. Have you been for them or against them?

Mr. BESSE. I cannot say definitely. It depends entirely on conditions. It depends entirely on the situation in certain circumstances. If you reduce a tariff that is too high to a point where it is just adequate, you have not increased your imports. If you reduce it to a point where you have increased imports and you have hurt domestic industry, I am against it. That requires a selective answer, according to which reductions you are talking about.

Senator KERR. I take it that you are not in position to say whether or not you have been for or against the reductions to which you refer but would have to reserve your opinion until you had inspected each one individually?

Mr. BESSE. I cannot say that I am for or against a mass of reductions. I am trying to point out to you——

Senator KERR. Do you say here that in your opinion they have gone altogether too far?

Mr. BESSE. I think they have.

Senator KERR. How far should they have gone, to what point could they have gone and you would not have thought they had gone too far?

Mr. BESSE. The point to which they can go——

Senator KERR. Will you answer that question?

Mr. BESSE. Not "Yes" or "No"; no, sir.

Senator KERR. I did not ask for a "Yes" or "No" answer. I asked you to what point they could have gone and not incurred your opposition.

Mr. BESSE. To a point where they had not increased imports.

Senator KERR. Well, you say they have gone altogether too far. Will you answer the question as to how much too far?

Mr. BESSE. Under today's conditions I cannot tell you. I think the time is coming when we will have to start and go the other way. I do not know that it is here today. I do not think it is. Our industry has had substantial cuts. They are doing us no harm today. Conditions are not normal today. I firmly believe they will be of great disadvantage to the industry. They do us no harm as of today, no particular harm. We have not wool enough to meet the demand as it is.

Senator MILLIKIN. Is it not true that you could approve every cut—I am not talking about you, because I do not think you would, but is it not true that every cut could have been approved, but the system denounced because it did not gain reciprocal advantage?

Mr. BESSE. I would think so.

Senator MILLIKIN. Is that not the distinction?

Mr. BESSE. Yes.

The CHAIRMAN. You may proceed.

Mr. BESSE. I did not intend to argue that point at any length. I think the record contains information on actual damage, and I am not alleging any particular damage to our industry, although I have a list of 45 mills that have gone out of business in the last 2 years. It does not indicate damage to imports. It does indicate that the industry has had a difficult time. It does indicate that we are not in a position where we are not able to supply the domestic market. It indicates we have been in a position where we can more than supply the domestic market which means an import takes some of our business away.

Nevertheless, I would like to include at this point some recent figures concerning imports of wool textiles.

In 1947 the United States imported 4,632,000 square yards of woolen and worsted fabrics. The figure was 9,238,000 yards in 1948 and over 19,000,000 yards in 1950. Great Britain has already announced that the amount exported to this country during January 1951, was double the figure for January 1950.

This should surprise no one. Average wages in the wool textile industry in the United States are four times the average paid in Great Britain; our tariff rates have been drastically cut; the sharp reduction in the ratio of the pound sterling to the dollar has made it possible to land British fabrics here at much reduced prices.

Even further reductions in tariff rates on wool fabrics and other items are currently under negotiation at Torquay, England, although it certainly would not appear that in view of increased importations the present rates were, to quote the act—

unduly burdening and restricting the foreign trade of the United States.

I am afraid the State Department and others have overlooked the danger of restricting the size of our textile industries, optical manu-

facturers, the watch industry, and many others upon which we are totally dependent in times of emergency.

But you are not considering particular industries. You have before you a general bill, a bill which gives power to reduce tariff rates to the President and the State Department. I use the word "reduce" advisedly. The language of the act refers to increases but since the procedure contemplates only mutually-agreed-upon "bargains" it is difficult to visualize a foreign negotiator accepting a 50 percent increase in United States import duties as a concession.

Mr. Hull, in his memoirs, said, and I quote:

> 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. The purpose of the act was stated to be to improve our exports.

Senator TAFT. The first effect of a dangerous reduction is to eliminate the small companies and discourage new small companies starting as, for example, in the watch industry, to get it down, finally, to two big companies. In your wool industry you spoke of the elimination of a lot of small companies there.

Mr. BESSE. The companies have been largely smaller units. I have a list of them; if it would be of any interest, I could include them in the record.

Senator TAFT. Also, I suppose, it is discouraging to anybody to start out, to begin a new company in an industry subject to that kind of competition?

Mr. BESSE. There have been no new companies started for many, many years in the wool industry. There have been some units, that is, new units, in the South, but they are in every sense replacements of northern units that have moved there.

Senator TAFT. You do not, purely from the manufacturing standpoint, have to have a very large unit?

Mr. BESSE. No.

Senator TAFT. A small wool plant can be about as efficient as a big one, except in the question of selling?

Mr. BESSE. The largest company, the American Woolen Co., has 23 plants. Instead of being concentrated as a single manufacturing organization, there are 23 separate plants.

Senator FREAR. It might be interesting to know what percentage of the wool plants, these 45 plants that went out of business, were of the whole industry.

Mr. BESSE. Assuming that everybody was operating at capacity, which, of course, is not a proper assumption, it might represent as much as 8 to 10 percent of the industry.

Senator KERR. What is the production of the domestic industry now as compared to previous years?

Mr. BESSE. At the moment the production is considerably impeded by a strike, on the one hand, and an order of the Price Administrator that was not tailored for our industry, but taking it back to 1950 the production in that year would be about 25 percent, I would think, below our wartime peak during the last war.

Senator KERR. What would it be with reference to any previous nonwar year?

Mr. BESSE. It would be higher than the years before the war. Probably we would have to go back almost to 1923 to find a higher year, certainly in dollars.

The CHAIRMAN. All right, you may proceed.

Mr. BESSE. In conclusion:

Is it wise to extend this program? I think not. As I have said, the one thing accomplished under the trade agreements program is a drastic reduction of United States tariffs, nothing else. The question at the moment is not whether our tariffs are too low or too high but whether if they are to be lowered or increased, the complicated trade-agreements procedure is the best method which can be employed. Most decided it is not.

The trade agreements program has rigidified our tariff structure. Changes can be made only after an awkward lapse of time and after long, difficult and protected international sessions.

The trade agreements program puts the emphasis on bargaining, not on economic factors. We set our rates to please other countries, getting nothing in return.

The trade agreements program robs the United States of any real bargaining power since other countries know that we have no procedure for raising rates under the act, either as a matter of protection or of retaliation.

The trade agreements program is a one-way street in two different ways. First, rates can be cut; they cannot be increased. Second, concessions are confined to those made by the United States.

I cannot believe that, if the trade agreements program was presented to you solely as a method of adjusting United States tariff rates, which is what it is, you would approve it.

I am not advocating returning to Congress the detailed job of considering thousands of different tariff rates; foreign trade has become too complicated and involved. But I am advocating that the responsibility of establishing reasonable and adequate United States tariffs be placed in an agency of the United States and that the rates be set in accordance with enlightened domestic policy and not by international haggling with only one side bound by the bargain.

There is no justification for continuing the farce of the trade agreement, bargaining away tariffs which we need for our own protection. The tariffs we need should be kept. In our own interest, those we do not need should be surrendered forthwith without wasting time in seeking supposed concessions which we do not get anyway.

We should establish an agency to set our tariff rates as near as can be determined at the optimum point. Criteria should be outlined to help in determining where that point is, but decisions should be based primarily on economic considerations. The whole tariff structure should be turned over to such an agency with present import duties unchanged until there is reason to make adjustments in them.

Fortunately there is ample time to do this. Mr. Acheson says no further important tariff bargaining sessions are contemplated. That being the case, there is no good reason why the trade agreements program should not be allowed to lapse. A domestic agency such as suggested should be set up to handle the tariff problem and to determine what proper rates are, irrespective of what action may be taken by foreign countries.

The CHAIRMAN. Are there any questions? If not, Mr. Besse, we thank you, sir, for your appearance here today.

Mr. BESSE. Thank you.

The CHAIRMAN. In lieu of a personal appearance the statement of the National Wool Growers Association will be inserted at this point.

(The statement referred to follows:)

STATEMENT OF THE POSITION OF THE NATIONAL WOOL GROWERS ASSOCIATION PRESENTED BY J. M. JONES AND J. B. WILSON

The National Wool Growers Association is a voluntary and unincorporated organization of wool growers founded in 1865 for the purposes, first, to secure for the business of wool growing equal encouragement and protection withjthe other great industrial interests of our country; second, to protect the interests of sheepmen in the framing of a protective tariff on wool and lambs.

This association attempts to speak for the whole domestic sheep industry. There is no other organization that assumes this task, and we believe that the views expressed herein are the views of more than a large majority of the 500,000 wool and mohair growers of this country.

THE DOMESTIC SHEEP INDUSTRY AND ITS IMPORTANCE

Increased animal agriculture is recognized as one of the most important and soundest remedies for our domestic agricultural problems of surpluses, Government subsidies, and regulations, etc. The domestic sheep industry should and could play a very important part in the solution of these problems if only a realistic view were taken by the executive branch of our Government.

Grass is one of the most important and vital natural resources of our entire country. It is a recurring annual resource; if not used each year, it is wasted. Approximately 96 percent of the Western range land occupied by the sheep industry is adapted only to the production of food and fiber for this Nation. Except for the livestock industry, this land would be nonproducing and nontaxable, and the whole region would be of little value.

The liquidation in the domestic sheep industry since 1942 has been of great concern not only to the industry itself, but to the Congress of the United States because of the need for the strategic products of the industry—meat and wool.

Table I shows the reduction that has taken place in the domestic sheep industry relative to the number of stock sheep and the pounds of wool produced in the past 9 years, which is due to many factors. Chief among these factors has been the uncertainty of the future for the industry brought about by tariff reductions and the continued threat of tariff reductions under the trade-agreement program.

The reduction of stock sheep numbers and a corresponding reduction in the production of wool and lambs since the high of 1942 is 45 percent as of Janary 1, 1950.

TABLE I.—*Stock sheep on farms and the production of domestic wool in the United States*

Year	Number of head of stock sheep on farms, as of Jan. 1, per 1,000 head	Production of domestic shorn wool in grease pounds, per 1,000 pounds	Year	Number of head of stock sheep on farms, as of Jan 1, per 1,000 head	Production of domestic shorn wool in grease pounds, per 1,000 pounds
1942	49, 346	388, 297	1947	32, 125	252, 798
1943	48, 196	378, 843	1948	29, 976	233, 924
1944	44, 270	338, 318	1949	27, 651	216, 950
1945	39, 609	307, 949	1950	27, 064	[1] 218, 239
1946	35, 599	280, 487			

Source: U. S. Department of Agriculture, Feb. 13, 1951.

[1] Preliminary.

The importance of this industry to this Nation has been recognized by many important groups. The Congress of the United States has provided for the following consideration for wool in the Agricultural Act of 1949 (Public Law 439, 81st Cong.): "Section 201. The Secretary is authorized and directed to make available * * * price support to producers for wool (including mohair) * * *: (a) The price of wool (including mohair) shall be supported through

loans, purchases, or other operations at such level, not in excess of 90 percent nor less than 60 percent of the parity price therefor, as the Secretary determines necessary *in order to encourage an annual production of approximately 360,000,000 pounds of shorn wool.*" [Italic ours.]

Production of shorn wool in 1950 in the United States was only 218,239,000 grease pounds or only 61 percent of the amount determined necessary for production in the United States.

The demand for wool products for military requirements, greatly increased during World War II, continues and civilian demand has increased materially from prewar consumption after the war, as shown by table II.

TABLE II.—*United States mill consumption of apparel wool, domestic and foreign*

[Greasy shorn basis]

Year	United States total mill consumption, apparel wool	Percent domestic production is of total consumption	Year	United States total mill consumption, apparel wool	Percent domestic production is of total consumption
	1,000 pounds			*1,000 pounds*	
1939	673, 900	63. 2	1945	1, 058, 374	35. 8
1940	683, 300	63. 5	1946	1, 098, 538	31. 1
1941	1, 021, 500	44. 4	1947	1, 021, 206	33. 0
1942	1, 125, 571	40. 4	1948	[1] 962, 700	[1] 29. 1
1943	1, 112, 836	39. 9	1949	[1] 672, 500	[1] 37. 7
1944	1, 054, 697	39. 0			

[1] Estimated.

Source: U. S. Department of Agriculture.

This shows at least two things: That duties assessed prior to 1947 have not restricted the flow of wool imports and also that wool is recognized both by civilians and by the procurers for national defense as a most important fiber.

It is admitted by both the Army and Navy that no substitute was found for wool during the war and that wool is a critical material.[1]

Table III shows the average prices received by producers prior to World War II, as of January 15, 1948, and prices for January 15, 1951. These dates were selected because they show particularly what has happened to wool.

During the war the price of wool remained almost constant due to price ceilings and the fact that until the spring of 1948 stockpiles of both foreign and domestic wool "hung over" the market.

As of January 15, 1951, it is found that the price of wool has increased to heights never before known, because of the emergency world demand for wool. The price of domestic wool has on the whole been lower than the price of wool in foreign markets.

It was pointed out previously that, during the period shown in table III, domestic-wool production has decreased 45 percent. The purpose of calling this to the attention of the committee is to show what happens when the domestic-wool industry is able to supply only 30 percent or less of a strategic commodity such as wool. The decrease in the industry has occasioned, and will continue to occasion, many millions of dollars of increased expenditure on the part of our Government.

[1] Reference: (1) Military Influences Upon Civilian Use of Wool, Lt. Col. S. J. Kennedy, Chief, Textile Section, Research and Development Branch of the Office of Quartermaster General, November 28, 1945, before National Association of Wool Manufacturers and Special Senate Committee to Investigate Production, Transportation, and Marketing of Wool, November 19, 1945. (2) The Hygiene of Clothing, Lt. Comdr. George W. Mast, and Lt. (junior grade) Howard W. Ennes, Jr., U. S. N. R., of the Navy's Bureau of Medicine and Surgery, 1943. (3) Gen. E. L. Corbin, Chief, Supply Division, Office of Quartermaster General, United States Army, before National Wool Growers Association, January 21, 1942. (4) Rear Adm. W. J. Carter, Chief, Bureau of Supplies and Accounts, Navy Department, before Special Senate Committee to Investigate Production, Transportion, and Marketing of Wool, November 27, 1945.

TABLE III.—*Average prices received by farmers in the United States, Sept. 15, 1941 compared to Jan. 15, 1948, and Jan. 15, 1951, for 23 principal products*

Product (in order of price increase)	Sept. 15, 1941 (A)	Jan 15, 1948 (B)	Jan. 15, 1951 (C)	Percent rise (A) to (B)	Percent rise (A) to (C)
1. Rye, per bushel	$0.573	$2.47	$1.48	331.0	158.3
2. Flaxseed, per bushel	1.85	6.71	4.25	262 7	129.7
3. Corn, per bushel	.708	2 46	1.54	247.4	117.5
4. Rice, per bushel	.891	2.98	5.55	238.2	522.9
5. Oats, per bushel	.399	1.27	.882	218.3	121 0
6. Wheat, per bushel	.958	2.81	2.09	193.3	118.2
7. Potatoes, per bushel	.644	1.86	.986	188.8	53.1
8. Beans, dry edible, per hundredweight	4.18	11.90	7.69	184.6	84.0
9. Hogs, per hundredweight	11.10	26.70	20.00	140 5	80.2
10. Apples, per bushel	.85	2.02	2 17	137.6	155.2
11. Hay, per ton	7 94	18.70	22.60	135.5	184.6
12. Beef cattle, per hundredweight	9.36	21.50	27.00	129.7	188 5
13. Lambs, per hundredweight	9.84	22.20	30.00	125.6	204 9
14. Peanuts, per pound	.0449	.101	.109	124.9	142 8
15. Butter, per pound	.327	.72	.611	120.1	86.9
16. Veal calves, per hundredweight	11.26	24.40	30.80	116.7	173.5
17. Milk wholesale, per hundredweight	2.41	5.09	4.66	111.2	93.3
18. Cotton, per pound	.1753	.3314	.4131	89.0	135.7
19. Sheep, per hundredweight	5.25	9.32	15.20	77.5	189 5
20. Tobacco, per pound	.265	.459	.459	73 2	73.2
21. Chickens, live, per pound	.163	.263	.243	61 3	49 1
22. Eggs, per dozen	.303	.487	.426	60.7	40.6
23. Wool, per pound	.363	.407	.980	12.1	170.0
Average percentage increase				146.9	142.3

Source: U. S. Department of Agriculture, Jan. 15, 1951.

Table IV shows the apparel wool imports in the United States for the past 10 years. Certainly it cannot be said that the duty in effect prior to the Geneva agreements restricted foreign trade on wool, but on the contrary, the results show a dumping of foreign wool into the United States. As a result of the Geneva agreement the duty on apparel wools finer than 44's was reduced 8.5 cents per clean pound. The United States Treasury lost approximately $48,000,000 in the years 1948 and 1949; the United States consumers didn't gain because the price of foreign wools was increased immediately the amount of tariff reductions.

TABLE IV.—*Apparel wool imports into the United States for consumption less reexports*

[Clean basis]

Year:	*1,000 pounds*	Year—Continued.	*1,000 pounds*
1940	222, 983	1945	[1] 724, 953
1941	613, 566	1946	[1] 923, 814
1942	[1] 782, 647	1947	528, 172
1943	[1] 642, 887	1948	596, 463
1944	[1] 581, 848	1949	347, 945

[1] Does not include any foreign stockpile wools stored in United States.

Source: Livestock Market News, Statistics and Related Data, 1948, Production and Marketing Administration, U. S. Department of Agriculture.

When the British pound was devalued on September 18, 1949 (which is the same as a cut in duty), from $4.03 to $2.80, the price of wool in terms of American dollars rose rapidly until now the price of foreign wools far exceeds the price prior to devaluation.

TARIFF POLICIES REGARDING SHEEP, WOOL, AND LAMBS

We believe, in the interest of the general public, of agriculture and of the sheep and wool industry, that the making of tariffs piecemeal, as has been done, and by executive action, does not accord with essential features of democratic government and legislation.

The sheep industry has been affected by this piecemeal and executive tariff making:

1. 1936, an agreement with France reduced duties on yarn, pile, and knit fabrics—decreasing potential demand for domestic wool. It must be remembered that the domestic manufacturer is the only market for domestic wool; to reduce duties on their products affects adversely the domestic wool grower.

2. 1939, importation of rags from Great Britain was equivalent to 20,000,000 pounds of wool when the wool rag duty was decreased 50 percent—from 18 cents to 9 cents per pound.

3. 1941, an agreement with Argentina reduced the rate of duitable wools not finer than 40's from 24 cents to 13 cents; not finer than 44's, from 29 cents to 17 cents.

4. 1942, an agreement with Mexico reduced the duties on sheep and lambs from $3 per head to $1.50 per head. (Now canceled.)

5. 1947, Geneva agreement reduced the duties on wools finer than 44's from 34 cents per clean pound to 25.5 cents, and on mohair from 34 cents per pound to 22 cents.

The statements made by letters to our elected representatives from the late President Roosevelt, namely: "The wool industry is one of those which needs price protection, and the suggestion that the new tariff bill might be used to lower those prices is one which would not have occurred to me," and the concurrence in that statement by President Truman, is an admission that a tariff on wool is necessary.

Although it is admitted that protection from low-cost producing countries is essential for the domestic sheep industry, the executive branch of our Government continues to reduce an already inadequate tariff. It is a sad commentary with one branch of our Government trying to encourage domestic wool production and the other discouraging it with loss to the United States Treasury.

The Tariff Commission, in its publication Summaries of Tariff Information volume II, part 1, Raw Wool and Related Hair 1948, states that the duties on imported wool affect the prices at which domestic wool can be sold by the growers and that "foreign producers of wool have long had a substantial competitive advantage arising from lower costs of growing wool as compared with domestic producers. * * * In Australia (the chief competing country) labor costs are undoubtedly lower than in the United States. * * * Another advantage of the Australian industry relates to costs and other conditions affecting land use. The alternative opportunities for use of the land are less attractive in Australia than in the United States; so that land values are considerably lower. In general the laws controlling land utilization are less favorable for the raising of sheep in the United States than in Australia."

THE TRADE AGREEMENTS PROGRAM

It appears to the domestic raw material producer of meat and wool that there is a compelling force in our State Department driving insanely for a destruction of domestic industry; not only for the destruction of the wool producer, but for all segments of the industry, including our manufacturing industry also.

The United States Tariff Commission, in carrying out its instructions under Executive Order 9832, admits that because of the prewar, war and postwar period it is not possible to measure the effect of the trade agreements program on United States agriculture and industry, that it is difficult enough to measure the effect on any single industry

During the period 1937 through 1950, and by further commitments under the Marshall plan, it is impossible to measure trade (1) because of large loans, contributions and gifts by the United States Government; (2) because some countries, such as Germany and Japan, are just beginning to come back into export trade; (3) because the countries escaping war damage have buying power for imports; (4) because some countries accumulated reserves as a result of gifts and of purchases and services secured abroad by our Government during the war.

It is therefore obvious that trade agreements have not been a major factor in international postwar trade.

Why the "rush" under the above conditions to cut duties, when history proves that unsettled conditions of postwar years do not reflect the effects of such actions?

In the words of the United States Tariff Commission: "The concessions by the United States in trade agreements consist almost entirely of tariff concessions (including reductions in duty, and bindings of duty-free status) specifically listed in the schedules of the various agreements. * * * The trade-agreement concessions obtained by the United States from foreign countries have consisted to a

considerable extent of concessions other than reductions of duty (but have) granted to the United States, on certain items, bindings of, or reductions in, margins of tariff preferences, without commitments as to rates. In other instances they have agreed to increase to a specified minimum, or at least not to reduce, the quotas assigned to imports from the United States; * * * (but) so long as countries suffer from balance-of-payment difficulties they are largely exempt from the general prohibition of that agreement against the use of quantitative restrictions and against discrimination among countries in the application of such restrictions."

It also appears that even after balance-of-payment difficulties are overcome they are unwilling to give up their preferences.

This is not reciprocal trade but a subterfuge which will weaken our domestic industry and tear down our standards of living.

The American counterpart of tariff is our immigration law. One protects materials and the other labor—the principle is the same. It isn't conceivable that our immigration bars will be let down through the elimination of the immigration laws, but the reduction in the tariffs such as has taken place through such actions as the Geneva agreement results in the importation of cheap labor through the medium of manufactured goods.

The United States Tariff Commission states that "the value in the more distant future to American export trade of the general provisions of the Geneva agreement regarding these matters, as well as the value of many of the scheduled concessions, will depend largely on when and to what degree the present balance-of-payment difficulties in many foreign countries will be overcome."

This is a dark picture for domestic industry bearing the burden of heavy taxes to make gifts and contributions to these competing foreign countries and at the same time weaken the producers' ability to pay and maintain the American standard of living.

The very countries to which concessions are being contemplated at the Torquay conferences continue to make bilateral agreements (Australia and Argentina, April 26, 1950) which could conceivably injure United States export trade; the lack of adherence to agreements already in effect (Mexico); blocked sterling, the biggest obstacle to world trade (Great Britain); embargoes (Australians on export of Merino sheep); manipulation of currency (Great Britain and others); and many other methods are used by foreign countries to restrict the export trade of the United States.

THE NATIONAL WOOL GROWERS ASSOCIATION'S POSITION

The 1951 platform and program adopted by the eighty-sixth annual convention of the association had this, in part, to say about wool and the wool program:

"The National Wool Growers Association desires to reaffirm its position, stated many times in past conventions, that the maintenance of a sheep industry in the United States of sufficient size to prevent wastage of forage growth as well as to assure our Nation a continuous supply of meat and wool depends primarily on the assurance of a domestic price which will equalize the cost of the production here with that in those countries which are permitted to sell in our market.

"We believe that, from the standpoint of all parties concerned, the cheapest as well as the most effective method of accomplishing this end is the use of an adequate tariff.

"We again emphatically reaffirm our position in believing that an adequate tariff on wool, lambs, and sheep is the bulwark of strength for our American sheep industry.

"We view with grave alarm the report that the Australian Minister of Commerce, Mr. John McEwen, has told the House of Representatives that Australia is seeking a substantial reduction in American duties on the imports of wool; also that Mr. McEwen said the request had been submitted to the tariff conference now in session at Torquay, England.

"In this connection we point out that all of the Australian and New Zealand wool growers with whom we have talked have assured us that they are not concerned with the American tariff on wool or lamb, but are interested in seeing a strong, thriving American wool-growing industry.

"Our contacts with the Australian and New Zealand wool growers have been most cordial and we believe we can be perfectly frank with them in the hope they can, and will, present our position to Mr. McEwen and to others of the Australian Government.

"We believe that any proposed reciprocal trade agreements under any authorities now assumed by specially appointed departments or bureaus or the President

of the United States should be approved by the Congress and ask our Senators and Representatives to restore delegated powers to the Congress. We contend we can only maintain internal strength by safeguarding the producing elements of our population, and under the present wartime conditions, tariff adjustments should not be under consideration."

It is noted from the above that our association is not in accord with present methods of negotiating trade agreements.

The amendments adopted by the House of Representatives to H. R. 1612 are a step in the right direction and if properly administered will give some relief, but they are not as strong as we would like to have them.

However, we endorse the peril-point amendment, the escape clause, the barring of tariff reductions to Communist countries and the banning of tariff reductions on farm products imported and sold at less than Government supported prices adopted by the House and urge that they be strengthened as much as possible as a beginning for the securing of adequate tariff protection.

CONCLUSIONS

1. We respectfully submit that a careful analysis of the facts concerning the trade between the United States and foreign countries shows that the United States must not sacrifice its domestic sheep industry. Once this is done, our country will be left to the mercy of foreign countries for essential raw materials in peace as well as in war. "Once a foreign country or an alliance of foreign countries monopolizes the wool market, the domestic producer would be put out of business and the domestic consumer in peacetime would suffer through a controlled monopoly, with possible price increase and during war periods would be thrown on the mercy of the nation or nations holding the monopoly." This statement was made to the Committee for Reciprocity Information on May 15, 1950. Such a situation has now become a reality so far as wool is concerned.

2. The economic importance of the sheep industry, both in regard to employment and sound government through payment of local, State, and Federal taxes in support thereof, cannot be minimized to the Nation as a whole.

3. Trade agreements were never established for the purpose of injuring domestic industry, but provision was made to protect domestic industry from lower-cost producing countries.

4. An increase in the present tariff on wool and lambs would not unduly restrict foreign trade in wool. The United States has always produced less wool than was consumed. Government records show that the domestic market absorbs great quantities of foreign wool. Normally the domestic producer has supplied 60 to 75 percent of the wool needs of the American consumer. At present, domestic wool is supplying approximately one-third or less.

5. Most conservative government figures show that there has been a 45 percent liquidation in stock sheep since 1942.

6. The principal reason for the liquidation of the domestic industry is uncertainty for the future.

7. The Geneva agreement certainly isn't "reciprocal." Of course, the word "reciprocal" does not appear in the Trade Agreement Act, but nevertheless it is expected that these agreements should be of equal benefit. This is clearly shown not to be the case, for while American tariffs are being reduced the legal limit for the benefit of the so-called favored nations, these favored nations agree not to use all methods of trade restrictions to a greater degree or up to a maximum. If, however, they are in balance-of-payment difficulties (which most of them are or have been) the foreign countries may apply any restrictions (which they do).

8. There is only one proper solution to the maintenance of a strong domestic sheep industry, which the last few months have shown to be a strategic necessity, and that is the recognition and assurance on the part of Government "of a domestic price which will equalize the cost of the production here with that in those countries which are permitted to sell in our market." This we believe is an adequate tariff.

9. We do not favor the trade-agreements program as it is being administered and ask our elected representatives to restore the delegated power to the Congress.

The CHAIRMAN. We will next hear from Mr. Felix Wormser of the Emergency Lead Committee. Please identify yourself for the record.

STATEMENT OF FELIX EDGAR WORMSER, SECRETARY, EMERGENCY LEAD COMMITTEE, AND VICE PRESIDENT OF THE ST. JOSEPH LEAD CO.

Mr. WORMSER. Mr. Chairman and gentlemen, the Emergency Lead Committee was formed in April 1950 for the express purpose of representing the lead-mining industry of the United States in seeking Government assistance to protect the industry from injury caused by excessive imports of lead into the United States from countries such as Mexico, Canada, Peru, Australia, South Africa, Yugoslavia, and elsewhere, that had devalued their currencies in 1949 or previously. The committee consists of 21 representatives from 21 lead-producing States respectively. Names and addresses of committee members and cooperating associations will be found in exhibit B attached.

The Emergency Lead Committee believes that some provision should be included in H. R. 1612, which will make it obligatory for the President to include consideration of the effect of foreign currency devaluation in consummating trade agreements affecting the mineral products of the United States.

A record-breaking flood of lead was imported into the United States in 1949 and 1950, stimulated largely by currency devaluation and the desire of foreign countries to procure dollars, which had caused some mines to shut down. Only the unexpected stimulus to trade caused by the Korean incident in June 1950, and the subsequent rearmament program, saved the lead mining industry in the United States from severe unemployment.

The following tabulation in round figures shows the great change that has taken place in the relationship of lead imports to domestic mine production, from which it is to be noted that, whereas, before World War II, imports were only about 20 percent of domestic mine production, last year they were over 125 percent of domestic lead-mine output:

	Domestic mine production of lead	Total lead imports
	Short tons	*Short tons*
1938	370,000	64,000
1939	414,000	87,000
1949	404,000	400,000
1950	430,000	[1] 550,000

[1] Record.

It is greater than our domestic production.

Senator KERR. How much of that was by companies owned by American interests, that is, of that import?

Mr. WORMSER. I would say the production from Mexico was perhaps 90 percent, sir, by companies owned by American capital.

Senator KERR. What part of this 550,000 tons is represented by Mexican production?

Mr. WORMSER. I have the figures right here.

Senator KERR. Do you have the general knowledge of the percentage of the total that is imported by American interests?

Mr. WORMSER. I could tell you pretty closely if I had a moment to calculate it, but I would say just as a rough guess——

Senator KERR. Make a rough guess.

Mr. WORMSER. About 35 percent, I would say.

Senator KERR. If you later find that it is inaccurate you can correct it.

Mr. WORMSER. It is 35 to 40 percent. Australia is not American capital. South Africa is partly American but largely other capital. Yugoslavia is not American capital. Peru is American capital. Canada is not American capital. I would say 35 percent is about right.

Senator KERR. I see that domestic production in 1950 was 430,000 tons.

Mr. WORMSER. Yes, sir.

Senator KERR. How much could the domestic industry have produced?

Mr. WORMSER. No one knows, sir, because it takes years to develop mines. Mines can only flourish in a climate that is conducive to a large amount of, what shall I say, speculation.

Senator KERR. I understand that. You understand that a good deal of this production is in my State. That is one reason why I am intensely interested in this subject.

In your opinion on the basis of what the industry went into the year with, what could they have produced in 1950?

Mr. WORMSER. You mean in the absence of this flood or import that came into the country?

Senator KERR. Just on the basis of the ore they had and the facilities they had with which to get it out.

Mr. WORMSER. It quite conceivable it could be increased materially 10, 20, 30 percent, depending upon the urgency and upon the market.

Senator KERR. Could that have been done in 1950?

Mr. WORMSER. Not in 1950, sir. It would be difficult.

Senator TAFT. Of this total of 980,000 tons in 1950, how much was stockpiled, any at all?

Mr. WORMSER. Of the imports?

Senator TAFT. Or is the domestic consumption now up to 980,000 tons?

Mr. WORMSER. The domestic consumption is about 1,200,000 tons, Senator.

Senator TAFT. Where did you get the rest of it?

Mr. WORMSER. From scrap lead. Scrap lead nowadays accounts for about 400,000 tons.

Senator TAFT. This 400,000 tons added to the 980,000 tons makes 1,380,000 tons.

Mr. WORMSER. Some did go into stockpiling.

Senator MILLIKIN. With reference to American-controlled foreign mines which import into this country the damage from such importations can be just as great as though the same mines were owned entirely by foreigners, can it not?

Mr. WORMSER. Precisely.

Senator MILLIKIN. If the American-controlled foreign companies produce with cheap foreign labor and with whatever advantages other than that they may have, the result on our domestic market is

just exactly the same as though they were owned by foreigners, is that not correct?

Mr. WORMSER. Correct, sir.

The only avenue open to the lead mining industry for relief from this unprecedented flood, outside of a direct appeal to Congress, appeared to be a petition for escape-clause relief under the provisions of the Mexican Trade Agreement of 1943, which had cut the 1930 lead rates in half. Accordingly, an escape clause petition was prepared and submitted to the United States Tariff Commission on May 10, 1950; a copy is attached for your information, marked "Exhibit A." In it we give chapter and verse of the effect of foreign currency devaluation on the lead mining industry of the United States. We show with illustrative examples that foreign currency devaluation enables competitive lead producers in Mexico, South America, Africa, and Australia, not only to overcome the slight tariff protection given lead, but also to obtain, in addition, an indirect subsidy on their own production, or to lower the grade of ore that can be mined competitively.

On July 18, 1950, the Emergency Lead Committee was informed that, because the Mexican Trade Agreement had been canceled, effective as of the end of December 1950, it was not necessary to consider the escape-clause petition of the Emergency Lead Committee, but the petition would be held in abeyance. Cancellation of the Mexican Trade Agreement restored the 1930 rates, but the Torquay conference leaves final determination up in the air. It is difficult to plan intelligently in the face of tariff uncertainties.

We appeared before the Committee on Reciprocity Information in June 1950, as did numerous Senators and Congressmen in our behalf.

On January 25, 1951, we were informed by the Tariff Commission that, because the Mexican Trade Agreement had been canceled, as of the end of 1950, it was not possible to proceed under the terms of the escape clause in the Mexican Trade Agreement, and our petition was therefore dismissed. Hence, we have had no official Government action, or answer, to our plea for protection against lead imports stimulated by foreign currency devaluation.

The Emergency Lead Committee, therefore, decided to take the next road open to it, namely, an application to the United States Tariff Commission under the provision of section 336, the flexible tariff section of the Tariff Act of 1930, for an investigation of the differences in the cost of production of lead in the United States and foreign countries. This application was filed on February 14, 1951, with the United States Tariff Commission, and a copy is enclosed, marked "Exhibit B." In it we again call attention to the adverse effect of foreign currency devaluation on the lead mining industry and make the constructive suggestion that the flexible tariff provisions of the Tariff Act of 1930 be used to increase the tariff protection granted lead to the full extent—50 percent—permitted by law when the price of lead falls below 12 cents, and to cut the rate the full extent—50 percent—permitted by law when the price of lead is over 17 cents, maintaining the present or statutory rate when the price is 12 cents, up to and including 17 cents per pound.

It must be obvious to the Finance Committee, as it is to the Emergency Lead Committee, that the cost of lead production in the United States, as compared with the cost of lead production in foreign countries, was seriously altered to the advantage of foreign lead

producers by the currency devaluation which took place on a wholesale scale in September of 1949. Many countries, to protect their own economies from the devastating effect of currency devaluation by Great Britain, similarly devalued their own currencies. The United States did not devalue, but Australia, South Africa, Mexico, and Canada—all competitive with us in the production of lead—did so to varying degree. Inasmuch as the devaluation in Australia and South Africa was 30 percent, and that of Mexico about 43 percent, the devaluation was greater than the mining industry could possibly ignore and, from a long-range point of view, something should be done to protect the lead-mining industry against it. Mexico even made adjustments in its own tariffs to allow for its own currency depreciation, showing that other countries are alive to the dangers to their commerce from currency devaluation.

Senator TAFT. There is no longer any devaluation in Canada.

Mr. WORMSER. That is correct, sir. That is only about a 5-percent discount which is the normal free rate.

Senator TAFT. It was more than that before.

Mr. WORMSER. That is correct.

Senator MILLIKIN. With very few exceptions foreign currencies do not submit themselves to the devaluation of a free market?

Mr. WORMSER. That is correct.

Senator MILLIKIN. The reason for that is that most of them are overvalued?

Mr. WORMSER. That is my feeling, sir.

Senator MILLIKIN. And, ultimately, for those currencies reach their proper competitive levels you will have an increase in devaluations, having the same effect as those to which you have referred; is that not correct?

Mr. WORMSER. I agree with you 100 percent, sir.

Senator MILLIKIN. So we not only have the immediate problem of those devaluations that we know about, but it is a fair assumption that many more will be coming along having a very drastic impact?

Mr. WORMSER. That is a very thorough analysis.

The Emergency Lead Committee is seriously disturbed to learn, however, from a conversation with an official of the State Department, that in the Trade Agreements Conference now going on at Torquay no consideration is being given to the effect of currency devaluation in the adjustment of the American tariff rates. The Secretary of the Emergency Lead Committee visited Torquay in October 1950 and learned from an official of the Conference itself that no consideration was being given to the impact of foreign-currency devaluation on the tariff structures of the participating countries and that the Conference was confining itself to an adjustment of the rates themselves without regard to currency devaluation.

It, therefore, seems to us that H. R. 1612 should carry an amendment which would require the President to include in any international trade conference, consideration and allowance for the effect of foreign-currency devaluation on American commerce. To leave out of consideration in an international trade conference the factor of currency devaluation and its detrimental effect upon production in the United States would seem to make a mockery of the trade-agreements program, for it would omit one of the most devastating trade weapons of all from the scope of trade-agreements conferences. Foreign-currency

devaluation bears down with particular severity upon lead and other basic products which are widely sold in international trade.

Senator MILLIKIN. Is it not your understanding that the State Department urged the devaluation in Great Britain?

Mr. WORMSER. That is my understanding, Senator, from reading the press accounts.

Senator MILLIKIN. You have not heard of any compensatory import fees suggested by the State Department to overcome that situation, have you?

Mr. WORMSER. None, sir.

Senator MILLIKIN. The British devaluation of the pound was the same as a tariff reduction, was it not?

Mr. WORMSER. The British devaluation of the pound was 30 percent, sir. And our tariff reduction in lead was 50 percent.

Senator MILLIKIN. But I say the effect of the devaluation was the same as though an additional concession had been made to all countries operating in the sterling area.

Mr. WORMSER. Yes, sir.

Senator MILLIKIN. Is that not correct?

Mr. WORMSER. That is correct, sir.

Senator MILLIKIN. And I repeat my question now: Have you heard of any suggestions from the State Department that would raise our tariffs to a compensatory level?

Mr. WORMSER. None, sir.

May I also introduce at this point a statement which I just ran into 2 days ago? It is the conclusion of the United Nations Economic Survey of Europe in 1949, and on page 161 of its report, published in May 1950 it comes to this conclusion:

> * * * the chief beneficiaries of devaluation are the overseas soft currency countries exporting primary products—

which is, of course, why it reacts with such particular severity on a commodity such as lead which is sold in world commerce.

At the time the Tariff Act of 1930 was enacted, currency devaluation was of only limited importance as affecting trade internationally. That may be the reason why the Tariff Act of 1930 made no provision to safeguard American industry against it.

While we thoroughly approve the amendments incorporated by the House in H. R. 1612 and commend the action taken, we feel that these amendments do not go far enough, in that they do not protect American industry and workmen from the severe effects of foreign currency devaluation. We believe this omission should be corrected to recognize the now widely prevalent practice of currency devaluation. Bretton Woods and the International Monetary Fund were designed to do away with the use of foreign exchange manipulation, or currency devaluation, as an international trade weapon, but apparently these measures have not succeeded.

We, therefore, respectfully urge the adoption of an amendment to H. R. 1612 couched in appropriate legal language which would require the President to give consideration in any trade agreement, including the Torquay conference, to the effect of any foreign currency devaluation that has taken place within five years prior to the enactment of this Act, and to adjust tariffs to offset or compensate for the discriminatory advantage to foreign commerce and industry caused by foreign currency devaluation.

The CHAIRMAN. The exhibits which you have attached to your paper as well as the extract from the Metal Bulletin and an excerpt from article which appeared in the Journal of Commerce will be made a part of the record at this point.

(Exhibits are as follows:)

EXHIBIT A

BEFORE THE UNITED STATES TARIFF COMMISSION, WASHINGTON, D. C.

Application for Investigation of Injury to the Domestic Lead Mining Industry Resulting from Trade Agreement Concessions on Lead-bearing Ores, Flue Dust, and Mattes of all Kinds, and Lead Bullion or Base Bullion, Lead in Pigs and Bars, Lead Dross, Reclaimed Lead, and Scrap Lead, and Petition for Recommendation That "Escape Clause" Relief Be Granted

(By Emergency Lead Committee, New York 17, N. Y., May 10, 1950)

PETITION OF LEAD-MINING INDUSTRY FOR "ESCAPE CLAUSE" RELIEF

The undersigned Emergency Lead Committee of 21 members represents all of the lead-producing States [1] in the Union, and Alaska, and speaks for numerous mining companies representing over 90 percent of the lead-mine production of the United States.

In behalf of the lead-mining industry, the Emergency Lead Committee makes this application for an investigation by the United States Tariff Commission under the specific provisions of the escape clause, article XI of the trade agreement with Mexico, effective January 30, 1943, and under the authority given to the President in the proviso in section 350 (a) (2) of the Tariff Act of 1930, as amended, and embodied by recital in the President's proclamation declaring effective as of January 1, 1948, the General Agreement on Tariffs and Trade concluded at Geneva October 30, 1947. The Tariff Commission is respectfully requested to make an investigation of the serious injury which domestic lead miners have already suffered, and with which they are further threatened (1) by the concessions to the extent of 50 percent of the tariff under paragraph 391 on lead-bearing ores, flue dust, and mattes and, under paragraph 392 on lead bullion, lead in pigs and bars, and scrap lead, of the Tariff Act of 1930, and (2) by the recent unforeseen and unforeseeable devaluation of foreign currencies. Both of these actions have resulted in stimulating lead imports into the United States to such an extent that approximately the same tonnage of lead is now being imported as is mined domestically; whereas before World War II the ratio of imports to domestic mine production was only 11.3 percent, a ninefold increase. In fact, before the war, the country was practically self-sufficient in lead, as shown by studies of the United States Tariff Commission, such imports as there were being largely in the form of ore and concentrates, which benefited the lead-smelting and refining industry.

The Emergency Lead Committee further respectfully requests that the Tariff Commission recommend to the President that the present effective tariff rate on lead-bearing ores, etc., under paragraph 391, be increased by 50 percent over the rate originally imposed by the act of 1930, to 2¼ cents per pound of the lead contained therein, and that the present effective tariff rate on lead bullion, etc., under paragraph 392, be increased by 50 percent over the rate originally imposed by the Tariff Act of 1930, to 3³⁄₁₆ cents per pound of the lead contained therein, in order to compensate, at least in part, for the devaluation of the currencies of competitive foreign lead producers and for the highly increased domestic costs.

SUMMARY

Owing to a record-breaking peacetime flood of lead imports, coupled with a decline in domestic consumption, the lead situation has changed from a condition of scarcity to one of abundance in the short space of 12 months, or since March 1949. The transition was marked by the sharpest lead-price decline in history, from 21.5 cents to 10.5 cents in 12 months, causing distress bordering on demoralization in the lead-mining industry and resulting in this petition for emergency relief.

[1] Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Washington, Arkansas, Illinois, Kentucky, Kansas, Missouri, Oklahoma, Wisconsin, New York, Tennessee, Virginia, Texas, There are lead deposits in other States.

Each of the provisions of the escape clause, as outlined by the Tariff Commission and comprising four specifications which must be satisfied to enable the President to take immediate action, apply with particular force to the lead-mining industry. These points are as follows:

(*a*) *"That there has been an increase in the quantity of imports"*

Not only has there been an increase of lead imports but the volume has been unprecedented, as shown in the annexed table 3 and the subsequent statistical breakdown.

(*b*) *"That this increase has been 'a result of unforeseen conditions'"*

Devaluation of Mexican currency in 1948 and devaluation by Great Britain and other countries in 1949 was completely unforeseen in 1943 when the Mexican trade agreement was consummated.

(*c*) *"That it has been a 'result of the concession' on the article"*

The present emergency in the lead-mining industry has been brought about by a demoralizing importation of lead from countries that have devalued their currencies and have found the reduced tariff rates on lead no impediment to sales in this country.

(*d*) *"That the increased imports are entering 'under such conditions' as actually to cause or threaten serious injury to domestic producers"*

The present emergency lead situation has already caused the shut-down of some highly important lead mines in Utah and is threatening a similar result elsewhere throughout the West and Middle West.

IMPORTANCE OF THE LEAD-MINING INDUSTRY

Lead is an indispensable metal in peace and war. Storage batteries, tetraethyl lead, ammunition, bearing metals, solder, cables, red lead, and sheet lead are but a few of the lead items without which our national economy could not function. Table 19 annexed lists the numerous lead-consuming industries and gives a measure of their relative importance in 1948 and 1949 as to lead requirements. Lead is part of our first line of defense; that is why the United States Government is accumulating a military stockpile of the metal. Nothing should be done, as a matter of public policy, which would retard the orderly and long-range development of our native lead resources.

The lead-mining industry of the United States is the largest in the world and has grown and continued as such with the assistance of tariff protection extending back to 1789. A comparatively recent summary of tariff information prepared by the United States Tariff Commission contains a description of the lead-mining industry, together with explanatory statistical data, which makes it unnecessary to repeat this information here. We respectfully refer to pages 29–40, inclusive, of the Commission's report, Unmanufactured Copper, Lead, and Zinc, Summaries of Tariff Information With Additional Data, dated July 1949. We would, however, comment that the Commission's report does not cover the critical period to which this petition refers, namely, the period beginning in September 1949, when devaluation of currencies swept the world, to date. We have therefore included supplemental information in tables attached to this application, designed to bring the record up to date, which will be explained in the body of our application.

We should also like to add the comment that lead mining in the United States must attempt to operate not only in a tariff-protected economy, but also in a subsidized economy, with the important items of foodstuffs and raw materials for clothing generally highly subsidized and contributing to the high wage scale it is necessary to pay in the United States for labor. Furthermore, lead mining in the United States is conducted on hundreds of small properties and medium-sized properties, as well as by a considerable number of larger enterprises. In many western communities lead mining is often the only source of employment. Because so much of the lead production in the west is mined concurrently with zinc and other metals from highly complex ores, the revenue derived from lead may determine whether or not these ore deposits can be profitably worked.

RECENT TARIFF HISTORY

No changes were made in the tariff on lead ores and concentrates, paragraph 391, and on pig lead, paragraph 392, of the Tariff Act of 1930, until the trade-

agreement with Mexico was negotiated during World War II, which cut the moderate 1930 rates 50 percent, the limit permitted by law, in 1943.

Changes in United States rates of duty on lead ores and metal, etc.

[Cents per pound, lead content]

Item	Tariff rate in—			
	Act of 1922	Act of 1930	[1] 1943	[1] 1950
Par 391: Lead-bearing ores, flue dust, and mattes of all kinds	1½	1½	¾	[2] ¾
Par. 392: Lead bullion or base bullion, lead in pigs and bars, lead dross, reclaimed lead, and scrap lead (except antimonial scrap lead) [3]	2⅛	2⅛	[3] 1$\frac{1}{16}$	[2] [3] 1$\frac{1}{16}$

[1] Trade agreement with Mexico, effective Jan. 30, 1943; agreement provides that effective 30 days after the termination of the unlimited national emergency, rate shall be 1⅛ cents per pound on ores, flue dust, and mattes, and 1$\frac{7}{10}$ cents per pound on bullion, pigs, bars, etc.
[2] Duty suspended from June 20, 1948, to June 30, 1949, inclusive (Public Law 725, 80th Cong.).
[3] Duty on nonferrous-metal scrap suspended, effective Mar. 14, 1942, to June 30, 1949, inclusive (Public Law 497, 77th Cong., and Public Laws 384 and 613, 80th Cong.).

Inasmuch as the Government was the sole importer of lead during World War II and the entire industry was under the strict wartime controls of the War Production Board and the Office of Price Administration, these tariff changes had little effect on the domestic lead-mining industry. Moreover, the mining industry was operating under the premium price plan and at maximum productivity. There was no competition from foreign ores or metal.

Although the trade agreement with Mexico provided that effective 30 days after the termination of the unlimited national emergency, the rate on ores and concentrates should be increased, as pointed out in note 1 in the preceding table, almost 5 years have elapsed since World War II, and there has been no termination of the unlimited national emergency, so that the wartime tariff reductions are still in effect. Thus, even this slight relief has failed to materialize.

ACTION OF MEXICO UNDER THE MEXICAN TRADE AGREEMENT

The history of the trade agreement with Mexico shows that Mexico invoked the escape clause in December 1947 and increased the rates of duties on 12 items on which it had made concessions to the United States. The United States Tariff Commission, in its Report No. 163,[2] states that:

"After discussion the United States agreed to these changes without compensatory withdrawal of concessions made by this country to Mexico. More important than the actions taken by Mexico under the escape clause was that country's action in substituting compound rates of duty (i. e., rates having both a specific and an ad valorem component) for its specific rates on a long list of articles. These changes affected, among other articles, the duties on the remaining items listed in the Mexican schedule of concessions to the United States. The new rates on the concession items were at levels stated by the Mexican Government to be virtually equivalent, in terms of ad valorem incidence calculated on the basis of average unit values in 1947, to the rates in effect under the agreement with the United States, when such rates are applied to unit values prevailing in 1942. When the United States agreed in December 1947 to accept the new Mexican tariff duties on concession items, it was understood that Mexico would grant compensatory concessions to offset the changes made. Negotiations to effect such compensatory concessions began in May 1948 and have not yet been concluded."

This would certainly indicate that concessions in the Mexican Trade Agreement have been all on one side, and that a restoration of the lead tariff would be not out of order, in fact, is overdue. Moreover, if our Government were to adopt the principle of substituting compound rates of duty, reflecting ad valorem as well as specific rates, as the Mexicans have done, then, using 1947 average values as a base, the tariff on lead metal would have to be 7.3 cents per pound, because lead in 1947 averaged 14.67 cents, and the tariff protection on an ad valorem basis before the war was roughly 50 percent.

[2] Report No. 163, 2d series, U. S. Tariff Commission, Operation of the Trade Agreement Program, pp. 5, 6.

Even more important than the action of Mexico in compounding its rates of duty is the fact that Mexico has already established the precedent of making allowances in some of its tariff rates for the effect of its own devaluation. Mexico established a series of official prices which were considerably higher than the invoice values, and as the Tariff Commission has pointed out, "In determining the official prices, moreover, allowances were made for increase in prices of imported goods, expressed in Mexican currency, resulting from the devaluation of the peso in July 1948. The new method of assessing duties operates to increase the duties on some concession items above those established in December 1947 under the provisional agreement between the United States and Mexico." [3]

Why, then, should not the United States do likewise and increase the lead rates to reflect the injury done the American lead miner through devaluation?

GOVERNMENT OPINION ON THE LEAD TARIFF

On the general question as to the effect of the reciprocal-trade-agreements program on the domestic mining industry, we cannot do better than quote the impartial opinion of the regional director of the Foreign Minerals Region, U. S. Bureau of Mines, Elmer W. Pehrson, who stated on October 26, 1949, that "Many segments of our domestic mining industry depend upon tariff protection, and in the past most mineral tariffs have been moderate rather than excessive. The tariff cuts that have been negotiated under the reciprocal-trade-agreements program have, in my judgment, weakened the competitive position of the domestic mining industry under normal conditions of international trade." This statement was made before the full impact of devaluation had struck the nonferrous metal industries.

A recent report [4] of the Senate Committee on Interior and Insular Affairs has this to say on the problems of the domestic metal mining industry:

"* * * It must be borne in mind that successful mining results in the depletion of the deposits which are mined and that because of the peculiar physical conditions under which mining operations take place, many mines once shut down can never be reopened. In many cases a mine not in production fills with water, metal equipment corrodes and rusts away, supports disintegrate, and large-scale cave-ins occur. It is always difficult and, in many cases impossible, either technically or economically, to reactivate a mine that has once closed. Meanwhile the experienced and skilled labor force necessary to operate such a mine has become dispersed. Thus, the mine and its ore body (as well as the essential operating personnel) is, for practical purposes, lost.

"So, too, with exploration. Technical experts have informed the committee that it usually takes at least a year or more after discovery to bring an ore body into production. The committee has been reliably informed that since 1932 adequate exploration and development of new sources of raw metals and minerals within the United States have not kept pace with the demands of our expanding economy."

A subject of growing concern to Congress and the Nation is the distressing decline in the hunt for, and exploration of, our mineral resources. This is largely owing to the lack of proper incentives in the form of adequate tariffs and tax policies. The deplorable part is the fact that the country will require ever-growing quantities of metals in the future and that long-term policies of encouragement to mining in the United States are needed right now to assure adequate metal supplies 10 and 20 years from now. Mining is laborious and costly work requiring the utmost skill. We know of no better way to encourage the steady and orderly development of our mineral resources than a proper tariff. Is there anything more important than to foster the growth of these metal industries, so vital to the defense and welfare of the country?

TABLE 1.—*Devaluation of foreign currencies*

The following table shows the changes in currency values, brought about by devaluation, of countries that have shipped lead to the United States in recent months, based on information supplied by Federal Reserve and New York City banks:

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[3] Ibid.,

[4] Extract from letter of transmittal (Aug. 25, 1949) to accompany S. 2105, to stimulate exploration for and conservation of strategic and critical ores, metals, and minerals, and for other purposes.

Country	Monetary unit	Date of devaluation	Value of monetary unit in United States cents		Percentage of devaluation
			Old	New	
Australia	Pound	Sept. 19, 1949	322.40	224 00	30.5
Belgium	Franc	Sept. 21, 1949	2.28	2 00	12.3
Bolivia	Boliviano	Apr. 8, 1950	2.50	1.67	33.2
Burma	Rupee	Sept. 18, 1949	30.23	21 00	30.5
Canada	Dollar	Sept. 19, 1949	100.00	90 91	9.1
Chile	Peso	Jan. 26, 1950	2.35	[1] 1.70	27.6
France	Franc	Sept. 20, 1949	[2 3] .303 [2 4] .367	[2] .286	5.6 22.1
Italy	Lira	Sept. 19, 1949	[2] .1739	[2] .1576	9.4
Mexico	Peso	July 26, 1948	20.62	[3] 11.58	43.8
Netherlands	Guilder	Sept. 20, 1949	37.70	26.32	30.2
Peru	Sol	Feb. 20, 1947	15.40	[3] 6 75	56.2
Union of South Africa	Pound	Sept. 18, 1949	403.00	280 00	30.5
United Kingdom	do	Sept. 18, 1949	403 00	280.00	30.5
Yugoslavia	Dinar	Unknown (1940)	2.36	.67	71.6

[1] Transitory rate.
[2] Rates based wholly or in part on dollar quotations in officially regulated free markets, French franc on postdevaluation quotations, new lira rate based on Sept. 21, 1949, quotation.
[3] Free rate
[4] Commercial rate.

THE EFFECT OF DEVALUATION

The excellent statistical report of the United States Tariff Commission of July 1949, on nonferrous metals, already referred to, does not carry any reference to devaluation. This is not surprising, as the likelihood of devaluation was vigorously denied by Great Britain until the actual moment it took place, September 18, 1949. Moreover, devaluation was entirely unforeseen when the Tariff Act of 1930 was enacted. Nor did anyone forecast the prospect of devaluation when the Geneva agreement was consummated, effective January 1, 1948.

Devaluation is an international trade weapon, which can be so demoralizing to international trade that it furnished one of the principal reasons for the creation of the International Monetary Fund a few years ago. Despite the high hopes of the founders of the fund to remove or correct this disruptive influence, it is apparent, only a few years after founding, that the fund cannot function to prevent devaluation the way the fund intended. Devaluation works with particular emphasis on the natural resource industries—agricultural and mineral—for, unlike manufactured goods, foreign agricultural and mineral products are produced with little or no United States dollar expenditure, and can be sold for United States dollars to reap the full internal benefit of devaluation. In other words, those industries bear the brunt of the trade injuries caused by devaluation.

Table 1 shows the extent of the pronounced devaluations that has taken place in the currencies of most countries shipping lead in various forms to the United States, led by Great Britain with a devaluation of 30.5 percent. Mexico began devaluing in 1948, and since then, its currency has depreciated 43.8 percent.

The Federal Reserve Bank of New York, in its thirty-fifth annual report, states that, "Led by sterling, a concentrated and unprecedented wave of currency devaluations swept over a good part of the world." Not only was the currency devaluation unprecedented, but it was drastic in its downward change, amounting to 30.5 percent for all countries in the British sterling group, and 9.1 percent for Canada. These world-wide devaluations profoundly affected approximately two-thirds of all world trade, and it is significant that the Federal Reserve Bank of New York concludes, "Yet it is by no means certain that each devaluation corresponded to the particular maladjustment that the devaluing country was facing." The report goes on to state, "* * * The devaluations may tend to increase the international demand for many of the goods produced in the devaluing countries, since these goods *can now compete more effectively.*" [Italics ours.] This is precisely our contention.

The external readjustment downward, or devaluation, of the pound sterling in Great Britain, the Australian pound, the South African pound, and the Canadian dollar, as well as other currencies, on September 18 and 19, 1949, and the earlier Mexican devaluation, had two results: (1) it furnished a sharp rise in income to the producer of lead in Australia, South Africa, and Canada, and Mexico, whenever he sold his lead output for dollars in the United States (the extent of the rise in income and its significance will be explained later); and, (2) it raised sharply the price of lead in Great Britain and other countries that had devalued, thereby making it costly for the European consumer to buy lead—indeed, pro-

hibitive in some cases. This result ensued because devaluation does not, of course, increase the internal purchasing power of the currency of the nation resorting to devaluation. It does the opposite. In time, the purchasing power actually diminishes, but initially, devaluation curtails the consumption of commodities such as lead with a world price, which have to be imported by the devaluing country.

Mexico devalued in July 1948, when the peso was quoted at 20.62 cents. Since that time there has been a gradual decline and the peso has been recently quoted at 11.58 cents, a devaluation of 43.8 percent.

The New York lead market is one of the few free markets remaining in the world today, and sets the world price. Consequently, one effect of British devaluation is to make lead so expensive in Great Britain and the Continent, that its local use is discouraged and foreign metal that would otherwise be absorbed in Great Britain or the European mainland is diverted to the United States to find a market.

No one knows how devaluation ultimately will work out. Suffice it to say that both of the results indicated above are already injurious to the domestic lead-mining industry, and threaten further injury.

ILLUSTRATIVE DEVALUATION COMPUTATIONS

A simple illustration of the effect of devaluation on the lead-mining industry follows. It is based upon the Australian devaluation, but the same principle applies to South Africa, Burma, Canada, Mexico, Peru, and other lead-producing countries that have devalued their currencies.

The old Australian pound rate was $3.22; the new Australian pound rate is $2.24—30½ percent lower.

In a 12-cent lead market the net New York price to an Australian producer is 12 cents minus the duty of 1.06 cents per pound, which is equivalent to 10.94 cents per pound, or $10.94 per hudnred. On the old pound value, $10.94 was worth 3.40 pounds Australian; on the new devalued basis $10.94 is equal to 4.88 pounds Australian—an increase of roughly 40 percent in Australian pounds income of an Australian lead producer who sells his product in the United States for dollars.

Now let us examine the manner in which the Australian producer appraises the effect of devaluation on his own operations. If we assume that he has the same cost of production before and after devaluation—a reasonable assumption — then he gets more return in a 12-cent lead market after devaluation than in a 16-cent market before devaluation. The simple arithmetic is as follows: In a 12-cent New York market, as shown above, the Australian producer receives (at the new exchange rate) 4.88 pounds Australian for each 100 pounds of lead sold in the United States. In a 16 cent market, at the old rate of $3.22 for the Australian pound, he received 4.64 pounds Australian for each 100 pounds of lead sold, in each case deducting the tariff of 1.06 cents.

The proceeds are therefore slightly more to the Australian producer, thanks to devaluation, in a 12-cent market New York after devaluation, than they were in a 16-cent lead market before devaluation. This gives the Australian producer an opportunity to mine ore that would not be considered commercial before devaluation, and gives him a distinct competitive advantage over the American lead miner, and therefore every inducement to ship his output to this country.

Conversely, and perhaps more importantly, the Australian lead producer, as a simple calculation would show, is able to net the same return in Australian pounds in an 8.7-cent New York market after devaluation, as he did at 12 cents per pound before devaluation, in each case deducting the duty of 1.06 cents per pound.

DEVALUATION EQUIVALENT TO A SUBSIDY TO FOREIGN PRODUCERS

The devaluation of the pound is equivalent not only to a complete nullification of the modest tariff protection accorded lead of 1.06 cents per pound, but may also be considered to provide a bonus of 2.26 cents additional to the Australian lead producer. The following calculation shows how this is brought about:

The difference between the proceeds from the sale of 100 pounds of lead at 12 cents per pound New York on the new Australian pound basis, and the proceeds on the old Australian pound basis, is 1.48 pounds Australian, which is equivalent to 3.32 cents per pound of lead. But as the tariff today is only 1.06 cents, the difference corresponding to 2.26 cents may be considered a bonus to the Australian producer, or a subsidy at the expense of the American lead producer. If this is not an unfair competitive development, completely unforeseen, we do not know how else to characterize it.

Mexico has devalued in July 1948, and the same principle applies to both Canada and Mexico, as noted above for Australia. The extent of the devaluation of the lead-producing countries competing with the United States is already shown in table 1.

These simple illustrations show why it is necessary for the lead mining industry to seek emergency relief through the provisions of the escape clause, or failing that, to petition Congress for a compensatory or excise tax, directed at those countries which use devaluation as a competitive international trade weapon.

In this connection, we call attention to section 303, countervailing duties, in the Tariff Act of 1930, which stipulates that, whenever any country shall pay or bestow any bounty or grant, directly or indirectly, upon the production or export of merchandise, then an additional countervailing, or compensatory duty equivalent to the grant or bounty, shall be levied by the United States Government on the importation of such subsidized commodities in the United States. We recognize the technical distinction between foreign subsidies and governmental stimulation of exports by means of devaluation, but they are related, nevertheless, and as shown above, have a like disastrous effect.

The spirit of section 303, establishing countervailing duties, was to protect our commerce from subsidized competition generated by the action of foreign governments. Although the Tariff Act of 1930 does not specifically cover devaluation, which was completely unforeseen at the time of that enactment, we urge that the machinery of the escape clause may and should be used to protect the lead mining industry from injury through devaluation of currencies, and obviate any need for supplemental legislation on the subject.

DOMESTIC INFLATION ALSO UNFORESEEN

Another unforeseen development affecting our own economy has been the inflation that has occurred in the United States. Commodity index figures using 1926 as 100 show that inflation has grown from 86.4 to 152 since 1930. The amount of protection granted lead under the Tariff Act of 1930 has been substantially dissipated by the inflation of recent years. The annexed table 2 shows that whereas the specific rate of 2⅛ cents per pound of metal before the war gave the lead mining industry protection of 40 to 60 percent, the average protection since World War II has ranged from 0 to 13 percent. The lead miner today looks upon the prevailing tariff protection as not a 50 percent cut below the 1930 specific rates, but rather 80 percent below, on an ad valorem basis. Had the lead mining industry back in 1930 foreseen devaluation or inflation 20 years later, it would certainly have petitioned Congress for an ad valorem tariff rather than a specific rate. In the light of the present emergency, the lead mining industry feels compelled to request the utmost tariff relief possible under this escape clause, namely, 50 percent above the 1930 rates, or a rate of 3³⁄₁₆ cents on metal (par. 392) and 2.25 cents on lead in ores and concentrates (par. 391).[5]

[5] The industry has given some thought to an alternate means of protecting the future of lead mining in the United States—one that will have the objective of (1) the defense of the country, (2) maximum employment, (3) orderly development of latent resources, (4) creation of incentives for further exploration, and (5) adequate supplies to consumers

Our committee believes that a sliding scale traffic in inverse ratio to the price, rather than any rigid flat rate, deserves careful consideration by Congress in the absence of jurisdiction by other Government agencies. For example, the following sliding scale of rates would provide the greatest amount of protection when needed most and no protection when not required:

[In cents per pound]

Price of lead	Tax or tariff	
	Lead in metals, etc.	Lead in ores, etc.
Over 20	Free	70 percent of metal rate.
19 to 20	1 25	
18 to 19	1.50	
17 to 18	1.75	
16 to 17	2.00	
15 to 16	2 25	
14 to 15	2.50	
13 to 14	2.75	
12 to 13	3.00	
11 to 12	3 25	
10 to 11	3.50	
9 to 10	3.75	
8 to 9	4.00	
7 to 8	4.25	
6 to 7	4.50	
5 to 6	4.75	

SHARP UPWARD TREND IN RATIO IN LEAD IMPORTS

One of the Tariff Commission's criteria with respect to the administration of the escape clause in trade agreements, is the trend in imports related to domestic mine production. The Tariff Commission has well stated that, "An important indicator as to injury will be whether or not an increase has occurred, or is threatened in the ratio of imports to production." [6] We shall show that the trend in lead by such a standard, or prewar comparison, is an outstanding example of an extraordinarily large increase in the import trend. The painstaking and valuable studies of the United States Tariff Commission in the nonferrous metal field, summarized in its report on unmanufactured copper, lead, and zinc, of July 1949, shows that before World War II the economy of the United States was satisfied with lead imports in low volume, compared with domestic mine production.

As the Tariff Commission's study shows, relatively little foreign lead was absorbed in the United States until 1940. In fact, the lead imports were largely consumed in the manufacture of products such as storage batteries, white lead and red lead for export, with benefit of duty draw-back. For all practical purposes, American lead production adequately took care of American lead consumption. Indeed, if it were not for the heavy current requirements of lead for military stockpiling, the lead economy in the United States would now be close to its prewar balance between domestic production and domestic consumption, particularly after this abnormal demand has been satisfied.

The great upward surge in industrial activity after World War II to fill the huge backlog of unsatisfied demand for metals, resulting from the strict allocations made by our Government for the war effort and other essential uses, was beyond the immediate ability of the domestic mining industry to meet. Mine production cannot be increased readily on short notice. Restrictions on labor and supplies imposed by war, and the accelerated drain on ore reserves could not be made up as quickly as needed. The low tariff also deterred necessary exploration. Increased imports were required and were attracted to this country by the high prices offered by users in our open market. The lead miners, recognizing the lead shortage, raised no objection to a one-year suspension of the lead tariff, from June 1948 to June 1949.

The operation of the free market speedily brought about a correction of the market condition. The shortage was over in the spring of 1949, while lead was still on the free list, and the price declined from 21.5 cents in March 1949 to 10.5 cents in March 1950, the swiftest and sharpest drop in history.

It is one thing to import sufficient lead to meet an unusual domestic industrial demand plus Government stockpiling requirements, but it is quite another matter to import vastly more lead than ever before required in peacetime. Furthermore, we have been given the impression that Government stockpiling will be at a lower scale in the next fiscal year, which will make it unnecessary to supplement domestic production with imports to that extent. We can again become almost self-sufficient as before the war.

The flood of lead imported into the United States reached a peacetime peak in 1949 when, as shown in table 3, a volume of lead equivalent to 99 percent of the domestic mine production was imported into the United States—a ton of imports for each ton of domestic mine production. The ratio of lead imports to domestic production for the four post-World War II years averaged 75.1 percent, compared with an average of only 11.3 percent before the war for the years 1930 to 1939, inclusive—nearly a sevenfold increase.

More alarming, perhaps, than this astonishing and record-breaking peacetime growth of imports is the trend for the last 4 years, as shown in the following table (summarized from table 3):

Total lead imports in percent of United States mine production

	Percent		Percent
1930–39 weighted average	11.3	1949	98.9
1946	47.5	1950, January	94.3
1947	59.3	1950, February	114.3
1948	89.7		

This extraordinary change in lead was not only unforeseen, before or after the war, but it threatens to undermine the entire domestic lead-mining industry, and the dependent smelting and refining industry.

[6] Procedure and Criteria with Respect to the Administration of the Escape Clause (revised Feb. 1950) p. 9.

AN ANALYSIS OF LEAD IMPORTS

It will be helpful to examine the source of the continued huge imports into the United States. That the lead imports have been continuing in undiminished volume is shown in table 4, the most recent figures available being the monthly record for the year 1949, and for January and February 1950.

Let us now analyze, in detail, the extent to which foreign producers are taking advantage of the current low tariff on lead ores, concentrates and pig, and devaluation, to ship their own lead production to the United States. We have prepared tables 6 to 18 showing over the 20-year period 1930 to 1949 (the period during which the Tariff Act of 1930 was and is effective) the exports of competitive lead-producing countries to the United States, their own lead-mine production, and their respective ratios.

Mexico

Table 6 shows the ratio of Mexican lead production sold in the United States (for all practical purposes sales are synonymous with imports), compared with the total Mexican lead mine production. For the period 1930 to 1939, inclusive, the ratio averaged 10.0 percent. In 1949, the last year for which we have complete records, it averaged 60.2 percent.

Trend in ratio of Mexican lead sales in United States in percentages

	Percent		Percent
1930–39 weighted average	10.0	1948	50.0
1946	28.9	1949	60.2
1947	41.6		

Here, then, is a striking upward trend, showing that Mexico has made the United States its major outlet for lead, with a relative increase in lead exports to the United States of 500 percent over the prewar rate.

Canada

The Canadian import trend related to Canadian lead production is indicated in table 7 which is summarized below:

Trend in ratio of Canadian lead sales in United States in percentages

	Percent		Percent
1930–39 weighted average	2.4	1948	41.9
1946	16.3	1949	39.9
1947	44.2		

Here, too, there is a marked increase in the postwar shipments of Canadian lead to the United States. The rate has been increased sixteenfold.

Canadian production was shipped to Europe almost entirely before the war, but nowadays over 40 percent is being diverted to the United States market. Canada, incidentally, has the largest and richest lead mine in the world, in British Columbia.

Australia

Australia formerly shipped its entire production to Europe, with a little coming to the United States irregularly. In fact, the prewar ratio of sales in the United States of Australian production was only 0.8 percent, as table 9 shows. Here again, however, there has been a heavy diversion of lead from Europe to the United States, as indicated in the following summary:

Trend in ratio of Australian lead sales in United States in percentages

	Percent		Percent
1930-39 weighted average	0.8	1948	18.9
1946	9.2	1949	13.6
1947	9.0		

The Australian rate has been multiplied about 17 times.

Peru

One of the most remarkable examples of an increase in the flow of foreign lead to the United States is afforded by Peru. For many years Peruvian lead ores, and even pig lead, came in large measure to the United States, but for the last year reports indicate that the entire current production plus a large tonnage from

stocks was shipped to the United States. The postwar experience compared with the prewar as indicated in table 8 is summarized as follows:

Trend in ratio of Peruvian lead sales in United States in percentages

	Percent		Percent
1930–39 weighted average	29. 1	1948	60. 2
1946	42. 4	1949	124. 3
1947	19. 4		

Apparently Peru, also, abandoned other markets in favor of the United States, exclusively, multiplying its rate of exports more than fourfold to this country.

South Africa

We now come to a country, South Africa, which shipped negligible tonnages of lead to the United States in prewar periods, but in the postwar era is diverting production running up to 63.6 percent to the United States, as the following summary of table 12 indicates:

Trend in ratio of South African lead sales in the United States in percentages

	Percent		Percent
1930–39 weighted average	0	1948	39. 3
1946	0	1949	63. 6
1947	43. 1		

This is a particularly good example of a comparatively new source of low-cost lead, produced with cheap native African labor, sold in competition with lead produced in the United States.

Bolivia and Chile

Bolivia and Chile are grouped together, as some of the statistics are not available separately. But table 10 shows that almost the entire Bolivian and Chilean lead production is now coming to the United States, compared with 12.2 percent before the war. The trend is strikingly shown in the following summary of that table:

Trend in ratios of Bolivian and Chilean lead sales in the United States in percentages

	Percent		Percent
1930–39 weighted average	12. 2	1948	86. 2
1946	39. 8	1949	94. 5
1947	74. 4		

This is an eightfold increase.

The record is monotonously the same in country after country.

Yugoslavia

Yugoslavia, with State-controlled mining operations, under conditions of employment that would be obnoxious to free labor in the United States, is shipping large tonnages of lead to the United States, whereas before the war, Europe consumed the entire production. This is a good illustration of the need for protecting American labor from the products of countries with completely Government-controlled operations, as in communistic Yugoslavia. Should the American free-enterprise economy be expected to compete with this type of lead production?

Owing to iron-curtain secrecy, it is difficult to obtain reliable figures, but the data in table 11 are believed to be close to exactitude. Normally, all Yugoslavian lead is sold in Europe. The table shows that we are probably absorbing 53 percent of Yugoslavian lead production lately.

Trend in ratios of Yugoslavian lead sales in the United States in percentages

	Percent		Percen
1930–39 weighted average	0	1948	6. 9
1947	2. 7	1949	53. 1

Even Germany, which was a net importer of lead before World War II, has become an exporter. In 1949 Germany shipped over 8,000 tons to the United States, whereas before the war it shipped none, according to available records.

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Japan, which is also sadly deficient in metal production, and normally requires substantial imports, has shipped lead to the United States, and is continuing to do so. See table 17.

The detailed analyses show that the trend to vastly higher lead imports into the United States is practically world-wide in its scope, and that even those countries such as Germany and Japan, which would normally be expected to import lead, have become exporters, to the detriment of our own lead-mining industry. Clearly this development was not and could not have been foreseen at the time of the Mexican and Geneva tariff agreements. It threatens to work irreparable damage to the lead mining, smelting and refining industries of the United States.

LOW LEAD TARIFF DOES NOT HELP ECA

Occasionally the Economic Cooperation Administration emphasizes the need for more imports into the United States to decrease the dollar gap with European countries, or those assisted by ECA disbursements. However, a study of the preceding lead import data clearly shows that the ECA countries are only being negligibly benefited by imports of lead to the United States if at all, and that the damage to the American mining industry from imports has been caused by greatly increased exports of lead to the United States from Canada, Mexico, Peru, Australia, Bolivia and other countries, which are not the recipients of ECA aid.

COMPARATIVE WAGE RATES IN UNITED STATES AND COMPETITIVE COUNTRIES

An adequate lead tariff partly resolves itself into the protection of the American wage scale and the social legislation of the United States of the past 12 years on behalf of labor. It is well known that the wage scale of the mining industry of the United States is the highest in the world, and the lead mining industry desires to keep it so. To substantiate this, we have prepared a table as follows, showing the hourly rates paid in countries accounting for the larger part of the lead production shipped into the United States. Much of the world's lead is produced by labor paid wages that would be unthinkable in the United States. Our estimates are believed to be representative going rates today. Incidentally, domestic wages are approximately 250 percent of prewar rates.

Comparative hourly wage rates in United States and foreign lead mining countries

Country	Rate
United States	$1.56.
Mexico [1]	$0.30.
Australia [1]	$1.10–$1.25.
Canada	$1.20.
Newfoundland	$1.00.
Peru [1]	7 to 9 cents.
Bolivia [1]	7 to 9 cents.
Yugoslavia	Government labor.
Morocco	12 cents.
South Africa	6 to 10 cents.

[1] Includes estimated bonuses and social benefits.

COMPARATIVE RICHNESS OF LEAD RESOURCES

Although it is impossible to make an exact comparison between the relative wealth-producing possibilities of the lead resources of the world, the following is a rough comparison:

Mexican lead ores will average around 8-percent lead, with important silver and zinc credits. Being close to the United States, Mexico can deliver its production across our borders with great ease.

Canada is fortunate in possessing the greatest single source of lead in the world today. It is not only unusually rich, but the deposit is extraordinarily large. There are few deposits in the world which can compare with it. It is believed that a fair measure of the grade of ore is 9-percent lead, with important silver and zinc byproduct credits.

Australia, another major lead producer, possesses the famous Broken Hill lode. Its labor scale is lower than that of the United States. The ore averages about 12-percent lead, with important zinc and silver credits.

In South Africa, the lead ores are among the richest in the world, averaging a little less than 20 percent, with important copper and precious metal credits.

In Yugoslavia, the lead ores run 6 percent, with important zinc credits.

In Morocco, the lead ores run 6 percent, with important zinc credits.

Contrasted with this statistical picture is the situation in the United States, where only by virtue of great resourcefulness and American technical skill and under adequate tariff protection is it possible to produce profitably lead from ores containing around 2½ percent lead in the midcontinent area, with minor zinc and silver credits.

In the Rocky Mountain areas, American ores will average 6 percent lead, with silver and zinc credits. Numerous mines in the Rocky Mountain area, in Idaho and Utah, have recently been forced to shut down by virtue of the serious drop in the price of lead—the sharpest drop in history, notably the Silver King Coalition mine and the Park Utah in the Park City district.

In the Missouri-Kansas-Oklahoma tri-State area alone, it is estimated, according to the recent report of the Bureau of Mines, that in 1949 about 50 mines shut down, and most of the other 76 active mines curtailed production sharply.

Field investigation by the Commission in Denver, Salt Lake City, Joplin, Wallace, Idaho, and other mining centers will substantiate the growing distress in the lead mining industry.

CONCLUSION

(1) The lead-mining industry of the United States is threatened with and has already suffered serious injury from an unprecedented peacetime flood of lead in the imported ores, concentrates, metal, and scrap from Mexico, Canada, Australia, Peru, Germany, Yugoslavia, and elsewhere, in 1949 and continuing. The main reason for the extraordinary volume of lead imports in the United States has been (*a*) the low tariff on lead ores and metals, and (*b*) the unforeseen circumstance of currency devaluation in 1948 in Mexico and in nearly all other foreign lead-producing countries in September 1949.

(2) Devaluation has given foreign lead producers in North America, South America, Australia, Africa, and elsewhere, a grossly unfair competitive advantage over the domestic miner, for it enables them not only to overcome the slight tariff protection given to lead, but also to obtain an indirect subsidy on their own production, or to lower the grade of ore competitively mineable. The only manner in which the American mining industry can be protected from the action of foreign governments in devaluing their currencies is for the United States Government to take compensatory action. It is to be noted that Mexico already has made adjustments in tariff schedules to allow for its own currency devaluation, practically nullifying concessions made to the United States.

(3) Lead imports into the United States have risen to an extraordinary degree. Not only has the trend been upward since the end of World War II, but lead imports have multiplied sixfold compared with the prewar record, and have grown to the point that imports are equivalent to domestic mine production in volume. The national economy may from time to time require some lead imports, but the lead industry does not believe it is in the best interests of the country to be overwhelmed with them. Increased tariff protection would reduce the heavy flow of lead to the United States and provide a sorely needed incentive to the American lead miner.

(4) The fact that domestic consumption of lead has at times exceeded the combined tonnage produced from United States mines and recovered from scrap has no bearing on this request for tariff protection. Offerings of foreign lead from the numerous dealers eager for business have forced the market price down to the point where our own lead mining industry is shutting down.

(5) Part of the competition to which the American lead-mining industry is now subjected comes from lead diverted from Europe to the United States by communistic Yugoslavia, where labor conditions are utterly different from what they are in this country.

(6) Wages of lead miners in the United States have increased approximately 250 percent since 1930, whereas tariff protection has been cut in half. The disparity between wages paid in the United States and those paid to miners in Latin-American, African, Australian, and British countries is very great. Under the laws of the United States affecting conditions of employment and wages, costs have advanced steadily.

(7) Exploration for new lead mines is at a low ebb in the United States compared with the potentialities. An adequate tariff is needed to stimulate discovery and long-range developments of our still plentiful latent resources, and to lessen our dependence on imports.

(8) The lead-mining industry is an important defense industry and must be preserved at all costs. The Government has recognized the military importance of lead by acquiring a substantial stockpile of the metal.

(9) Before World War II the lead economy of the United States was practically self-sufficient, as United States Tariff Commission studies have shown. Imports were largely in the form of lead in ores and concentrates, which furnished employment to the lead smelting and refining industry. The impact of the war and the subsequent postwar readjustment industrially, together with the heavy Government stockpiling requirements, have disturbed the normal lead-mining relationship to imports. The damaging effect of the current low tariff and foreign devaluation of currencies is now apparent, and makes it imperative for the mining industry to seek the restoration of traditional reasonable tariff protection under which the lead-mining industry of the United States has maintained world supremacy.

(10) Finally, we would like to repeat our contention that each of the provisions of the escape clause, as outlined by the Tariff Commission, comprising the four specifications which must be satisfied to enable the President to take immediate action, have been shown to apply with particular force to the lead-mining industry. These points are as follows:

(*a*) "That there has been an increase in the quantity of imports." Not only has there been an increase of lead imports but the volume has been unprecedented, as shown in table 3 and the subsequent statistical breakdown.

(*b*) "That this increase has been 'a result of unforeseen conditions.'" Devaluation of Mexican currency in 1948, and devaluation by Great Britain and other countries in 1949, was completely unforeseen in 1943 when the Mexican trade agreement was consummated.

(*c*) "That it has been a 'result of the concession' on the article." The present emergency in the lead mining industry has been brought about by a demoralizing importation of lead from countries that have devalued their currencies and have found the reduced tariff rates on lead no impediment to sales in this country.

(*d*) "That the increased imports are entering 'under such conditions' as actually to cause or threaten serious injury to domestic producers." The present emergency lead situation has already caused the shut-down of some highly important lead mines in Utah, and is threatening a similar result in Idaho and throughout the West.

(11) Mexico invoked the escape clause in December 1947, and increased the effectiveness of its tariff by compounding various rates of duty and in addition, subsequently made allowances for the effect of its own devaluation.

(12) From all of the above, it is the considered opinion of the lead-mining industry that an upward revision of the tariff on lead ores and concentrates in paragraph 391 to a level of 2¼ cents, and an upward revision of the tariff on lead in bullion and metal, paragraph 392, to a level of 3³⁄₁₆ cents, is urgently and immediately needed. Even that measure of protection would be extremely modest.

Respectfully submitted.

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TABLE No. 2.—*Lead—Tariffs, price and protection*

Year	Tariff per pound lead in—		Average New York lead price per pound [1]	Percent protection	
	Ores	Metal		Ores	Metal
	Cents	*Cents*	*Cents*		
1930	1½	2⅛	5.52	27.2	38.5
1931	1½	2⅛	4.24	35.4	50.1
1932	1½	2⅛	3.18	47.2	66.8
1933	1½	2⅛	3.87	38.8	54.9
1934	1½	2⅛	3.86	38.9	55.1
1935	1½	2⅛	4.07	36.9	52.2
1936	1½	2⅛	4.71	31.8	45.1
1937	1½	2⅛	6.01	25.0	35.4
1938	1½	2⅛	4.74	31.7	44.8
1939	1½	2⅛	5.05	27.7	42.1
1940	1½	2⅛	5.18	29.0	41.0
1941 (World War II)	1½	2⅛	5.79	25.9	36.7
1942 (World War II)	1½	2⅛	6.48	23.1	32.8
1943, January (World War II)	¾	1 1/16	[2] 6.50	11.5	16.3
1944 (World War II)	¾	1 1/16	[2] 6.50	11.5	16.3
1945 (World War II)	¾	1 1/16	[2] 6.50	11.5	16.3
1946	¾	1 1/16	8.11	9.3	13.1
1947	¾	1 1/16	14.67	5.1	7.2
1948—January to June	¾	1 1/16	16.20	4.6	6.6
July to December	0	0	19.89	0	0
1949—January to June	0	0	17.13	0	0
July to December	¾	1 1/16	13.60	5.5	7.8
1950—May 1	¾	1 1/16	11.00	6.8	9.7

[1] Engineering and Mining Journal.
[2] O. P. A. fixed price. Government premiums raised these prices greatly.

TABLE No. 3.—*Lead—United States mine production, imports, exports*

[In short tons]

Year	United States mine production	Lead imports				Imports, in percent of production	Exports total
		In ore	Base bullion	Pigs and scrap	Total		
1930	558,300	39,400	38,600	200	78,200	14.0	48,300
1931	404,600	20,900	32,300		53,200	13.1	21,700
1932	293,000	21,000	13,500		34,500	11.8	23,500
1933	272,700	6,000	1,600	100	7,700	2.8	22,800
1934	287,300	10,600	2,400	300	13,300	4.6	5,900
1935	331,100	20,000	1,900	2,100	24,000	7.2	7,000
1936	372,900	20,700	300	2,600	23,600	6.3	18,300
1937	464,900	34,100	1,800	5,000	40,900	8.8	20,100
1938	369,700	45,400	15,300	3,200	63,900	17.3	45,900
1939	414,000	30,800	48,900	7,100	86,800	21.0	74,400
1940	457,400	111,300	19,600	151,600	282,500	61.8	23,700
1941	461,400	82,100	24,700	274,400	381,200	82.6	14,400
1942	496,200	79,400	43,900	369,300	492,500	99.3	1,900
1943	453,300	70,000	4,600	244,500	319,100	70.4	2,000
1944	416,900	93,600		226,100	319,700	76.7	15,500
1945	390,800	70,000		230,300	300,300	76.8	1,400
1946	335,500	44,500	100	114,700	159,300	47.5	600
1947	384,200	50,800	1,600	175,400	227,800	59.3	1,500
1948	386,900	64,200	7,400	275,500	347,100	89.7	400
1949	[1] 404,000	107,400	2,350	289,750	399,500	98.9	1,000
1950—January	[2] 35,000	1,300	1,100	30,600	33,000	94.3	33
February	[2] 36,500	10,400		31,300	41,700	114.3	154

[1] Preliminary.
[2] Estimated.

NOTE.—In these and some other tables following, only round tonnage figures are used for ease in comparison. The statistical accuracy is negligibly affected.
Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 4.—*Ratios: Lead imports to domestic mine production*

[In short tons]

Period	Lead imports				United States mine production	Ratios (imports in percent of production)
	In ore	Base bullion	Pigs and scrap	Total		
1949						
January	10,700	1,100	27,200	39,000	33,000	118.2
February	2,500		25,000	27,500	32,550	84.5
March	16,000	1,100	15,000	32,100	39,700	80.9
April	10,950		13,750	24,700	37,000	66.8
May	10,600		21,050	31,650	36,700	86.2
June	8,800		47,400	[1] 56,200	36,100	155.7
July	3,100		8,900	12,000	29,800	40.3
August	7,700		30,100	37,800	33,850	111.7
September	10,700		18,900	29,600	30,500	97.0
October	11,900		28,600	40,500	29,700	136.4
November	3,100		28,500	31,600	31,200	101.3
December	11,350	150	25,350	36,850	33,900	108.7
Total	107,400	2,350	289,750	399,500	404,000	98.9
1950						
January	1,300	1,100	30,600	33,000	[2] 35,000	94.3
February	10,400		31,300	41,700	[2] 36,500	114.3

[1] Duty restored July 1, 1949, after suspension for 1 year.
[2] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE NO. 5.—*Imports of foreign lead into United States by months, 1949*

[In short tons]

	January	February	March	April	May	June	July	August	September	October	November	December	Total year, 1949
Australia	1,813	8,127	1,151	2,311	4,519	4,505	367	1,632	2,448	1,304	224	----------	28,401
Belgium	100	112	----------	----------	----------	----------	----------	----------	----------	----------	----------	----------	212
Bolivia	1,682	----------	4,396	2,107	2,200	1,926	----------	2,137	4,690	1,855	139	----------	21,132
Burma	1,008	350	----------	45	380	----------	----------	----------	----------	----------	----------	----------	1,783
Canada	6,477	3,016	3,834	4,361	4,347	4,998	3,852	4,599	2,896	7,013	7,909	5,034	58,336
Chile	----------	----------	----------	444	965	846	----------	148	699	294	----------	2,966	6,362
China	72	128	----------	150	----------	68	----------	----------	----------	54	----------	4	476
Ecuador	88	----------	111	----------	312	----------	74	----------	88	----------	----------	----------	673
French Morocco	----------	111	1,719	3,015	326	----------	----------	----------	----------	4,013	----------	----------	9,184
Germany	----------	----------	----------	----------	----------	----------	----------	4,495	1,859	898	848	233	8,333
Guatemala	10	37	63	151	95	505	73	305	545	490	503	134	2,911
Italy	2,724	641	----------	----------	----------	54	----------	----------	----------	----------	----------	----------	3,419
Japan	----------	----------	----------	----------	----------	----------	----------	----------	----------	529	1,391	189	2,109
Korea	----------	119	59	----------	295	35	----------	----------	----------	----------	----------	12	520
Mexico	8,770	10,319	7,178	5,676	13,210	30,127	2,205	12,902	9,287	11,934	10,644	12,533	134,805
Netherlands	158	38	23	----------	----------	----------	----------	----------	----------	----------	----------	----------	219
Newfoundland	5,160	31	3,218	----------	----------	----------	----------	----------	----------	----------	----------	----------	8,409
Peru	4,157	1,250	3,754	3,884	4,230	7,792	451	7,849	2,664	4,074	3,138	6,353	49,596
United Kingdom	73	72	17	79	16	75	----------	----------	----------	6	1	2	341
Union of South Africa	2,132	----------	4,910	1,940	55	2,922	900	----------	2,225	2,114	1,124	3,830	22,152
Yugoslavia	137	----------	326	220	----------	1,701	3,858	3,242	1,768	4,419	4,721	3,045	23,437
Other countries	560	155	159	33	161	210	139	177	156	59	125	265	2,199
Lead scrap, dross, etc. (lead content)	3,883	3,014	1,199	279	554	435	117	337	260	1,417	840	2,204	14,539
Total	39,004	27,520	32,117	24,695	31,665	56,199	12,036	37,823	29,585	40,473	31,607	36,824	399,548

Source: American Bureau of Metal Statistics.

TABLE No. 6.—*Mexican lead*

[In short tons]

	Mexican lead production	Mexican lead production sold in United States	Percent Mexican lead sold in United States		Mexican lead production	Mexican lead production sold in United States	Percent Mexican lead sold in United States
1930	265,600	36,700	13.8	1940	216,300	149,500	69.1
1931	250,000	38,700	15.5	1941	171,100	129,400	75.6
1932	151,500	13,500	8.9	1942	214,000	194,800	91.0
1933	130,800	2,200	1.7	1943	209,300	217,300	103.8
1934	183,300	3,300	1.8	1944	197,400	171,400	86.8
1935	203,000	9,800	4.8	1945	225,900	160,800	71.2
1936	237,800	10,500	4.4	1946	186,600	53,900	28.9
1937	240,400	17,200	7.2	1947	216,600	90,100	41.6
1938	311,300	38,500	12.4	1948	217,700	108,900	50.0
1939	242,000	52,100	21.5	1949	[1] 223,800	134,800	60.2

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 7.—*Canadian lead*

[In short tons]

Year	Canadian lead production	Canadian lead production sold in United States	Percent Canadian lead sold in United States	Year	Canadian lead production	Canadian lead production sold in United States	Percent Canadian lead sold in United States
1930	166,400	17,300	10.4	1940	235,900	8,700	3.7
1931	133,700	2,600	1.9	1941	230,100	95,600	41.6
1932	128,000	2,500	2.0	1942	256,100	77,700	30.3
1933	133,200	1,600	1.2	1943	222,000	8,300	3.7
1934	173,100	1,200	.7	1944	152,300	10,400	6.8
1935	169,600	200	.1	1945	173,500	29,500	17.0
1936	191,600	1,700	.9	1946	177,000	28,800	16.3
1937	206,000	5,700	2.8	1947	161,700	71,500	44.2
1938	209,500	3,200	1.5	1948	164,300	68,900	41.9
1939	194,300	5,600	2.9	1949	[1] 146,100	58,300	39.9

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 8.—*Peruvian lead*

[In short tons]

Year	Peruvian lead production	Peruvian lead production sold in United States	Percent Peruvian lead sold in United States	Year	Peruvian lead production	Peruvian lead production sold in United States	Percent Peruvian lead sold in United States
1930	21,800	19,200	88.1	1940	55,600	37,000	66.6
1931	2,900	300	10.3	1941	55,200	47,600	86.2
1932	5,100	600	11.8	1942	49,500	33,100	66.9
1933	2,100	800	38.1	1943	52,700	23,700	45.0
1934	10,000	4,000	40.0	1944	57,900	65,800	113.6
1935	31,500	5,500	17.5	1945	59,200	48,700	82.2
1936	33,600	6,200	18.5	1946	49,100	20,800	42.4
1937	46,300	12,800	27.7	1947	60,400	11,700	19.4
1938	64,000	11,300	17.7	1948	53,500	32,200	60.2
1939	51,000	11,200	22.0	1949	[1] 39,900	49,600	124.3

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE NO. 9.—*Australian lead*

[In short tons]

	Australian lead production	Australian lead production sold in United States	Percent Australian lead sold in United States		Australian lead production	Australian lead production sold in United States	Percent Australian lead sold in United States
1930	221,300			1940	314,500	21,700	6.9
1931	168,800			1941	292,400	67,100	23.0
1932	235,800			1942	291,900	148,600	50.9
1933	248,500			1943	211,600	32,600	15.4
1934	257,400			1944	197,300	30,400	15.4
1935	248,400			1945	174,800	33,100	18.9
1936	250,600	200	0.1	1946	195,300	17,900	9.2
1937	275,600	4,000	1.5	1947	209,700	18,800	9.0
1938	307,300	6,700	2.2	1948	229,000	43,200	18.9
1939	313,600	8,700	2.8	1949	[1] 209,500	28,400	13.6

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE NO. 10.—*Bolivian and Chilean lead*

[In short tons]

	Bolivian and Chilean lead production	Bolivian and Chilean lead production sold in United States	Percent Bolivian and Chilean lead sold in United States		Bolivian and Chilean lead production	Bolivian and Chilean lead production sold in United States	Percent Bolivian and Chilean lead sold in United States
1930	14,000	3,300	23.6	1940	12,900	9,000	69.8
1931	7,400	1,900	25.7	1941	17,300	8,700	50.3
1932	6,100	2,200	36.0	1942	13,800	4,500	32.6
1933	8,600	700	8.1	1943	12,600	7,000	55.6
1934	12,500	1,400	11.2	1944	10,000	5,400	54.0
1935	10,800	1,100	10.2	1945	10,500	3,900	37.1
1936	16,200	600	3.7	1946	9,300	3,700	39.8
1937	20,800	500	2.4	1947	12,500	9,300	74.4
1938	15,600	2,100	13.5	1948	28,200	24,300	86.2
1939	15,700	1,800	11.5	1949	[1] 29,100	27,500	94.5

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE NO. 11.—*Yugoslavian lead*

[In short tons]

	Yugoslavian lead production	Yugoslavian lead production sold in United States	Percent Yugoslavian lead sold in United States		Yugoslavian lead production	Yugoslavian lead production sold in United States	Percent Yugoslavian lead sold in United States
1930	22,600	(1)		1940	75,900	(1)	
1931	43,500	(1)		1941	(2)	(1)	
1932	53,100	(1)		1942	(2)	(1)	
1933	65,100	(1)		1943	(2)	(1)	
1934	70,800	(1)		1944	(2)	(1)	
1935	70,800	(1)		1945	15,400	(1)	
1936	72,000	(1)		1946	37,500	(1)	
1937	78,300	(1)		1947	45,300	1,200	2.7
1938	85,600	(1)		1948	50,700	3,500	6.9
1939	76,100	(1)		1949	[3] 44,100	23,400	53.1

[1] Not sufficient to be listed separately.
[2] Estimated.
[3] Unknown.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 12.—*South African lead*

[In short tons]

	South African lead production	South African lead production sold in United States	Percent South African lead sold in United States		South African lead production	South African lead production sold in United States	Percent South African lead sold in United States
1930	20,500	(1)		1940		7,600	
1931	13,000	(1)		1941		600	
1932	9,300	(1)		1942		3,900	
1933		(1)		1943		[2] 16,400	
1934		(1)		1944		[2] 3,500	
1935		(1)		1945		[2] 2,300	
1936	1,300	(1)		1946		400	
1937	10,600	(1)		1947	14,400	6,200	43.1
1938	19,300	(1)		1948	28,000	11,000	39.3
1939	16,200	6		1949	[3] 34,900	22,200	63.6

[1] Not sufficient to be listed separately.
[2] Shown as "Africa."
[3] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 13.—*French Moroccan lead*

[In short tons]

	French Moroccan lead production	French Moroccan lead production sold in United States	Percent French Moroccan lead sold in United States		French Moroccan lead production	French Moroccan lead production sold in United States	Percent French Moroccan lead sold in United States
1930	4,700	(1)		1940	25,500	(1)	
1931	1,100	(1)		1941	11,700	(1)	
1932	2,000	(1)		1942	7,200	(1)	
1933		(1)		1943	7,600	(1)	
1934	200	(1)		1944	11,000	(1)	
1935	100	(1)		1945	12,200	(1)	
1936	8,300	(1)		1946	12,300	(1)	
1937	17,600	(1)		1947	23,600	(1)	
1938	20,900	(1)		1948	31,100	(1)	
1939	28,600	(1)		1949	[2] 39,000	9,200	23.6

[1] Not sufficient to be listed separately.
[2] Estimated

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 14.—*Newfoundland lead*

[In short tons]

	Newfoundland lead production	Newfoundland lead production sold in United States	Percent Newfoundland lead sold in United States		Newfoundland lead production	Newfoundland lead production sold in in United States	Percent Newfoundland lead sold in United States
1930	20,100			1940	26,200	27,600	105.3
1931	31,300	9,700	31.0	1941	23,300	17,600	75.5
1932	39,900	10,600	26.6	1942	28,100	24,000	85.4
1933	38,500			1943	32,900	13,500	41.0
1934	41,700	3,400	8.2	1944	29,700	32,300	108.8
1935	39,200	6,800	17 3	1945	27,900	17,000	60.9
1936	34,600	4,000	11.6	1946	27,800	19,000	68.4
1937	32,200			1947	23,300	10,500	45.1
1938	31,900			1948	22,100	5,000	22.6
1939	26,800			1949	[1] 20,800	8,400	40.4

[1] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 15.—*German lead*

[In short tons]

	Germany lead production	Germany lead production sold in United States	Percent Germany lead sold in United States		Germany lead production	Germany lead production sold in United States	Percent Germany lead sold in United States
1930	67,200	(1)		1940	101,300	(1)	
1931	55,400	(1)		1941	108,000	(1)	
1932	52,700	(1)		1942	110,000	(1)	
1933	57,300	(1)		1943	115,300	(1)	
1934	61,900	(1)		1944	(2)	(1)	
1935	65,100	(1)		1945	(2)	(1)	
1936	70,000	(1)		1946 [3]	17,000	(1)	
1937	82,700	(1)		1947 [3]	16,300	(1)	
1938	105,800	(1)		1948 [3]	24,600	(1)	
1939	100,400	(1)		1949 [3]	[4] 100,500	8,300	8.3

[1] Not sufficient to be listed separately.
[2] Unknown.
[3] Bizonal area.
[4] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 16.—*Italian lead*

[In short tons]

	Italian lead production	Italian lead production sold in United States	Percent Italian lead sold in United States		Italian lead production	Italian lead production sold in United States	Percent Italian lead sold in United States
1930	33,000	(1)		1940	48,900	(1)	
1931	26,600	(1)		1941	44,000	(1)	
1932	23,800	(1)		1942	34,100	(1)	
1933	19,700	(1)		1943	21,500	(1)	
1934	21,500	(1)		1944	3,200	(1)	
1935	27,300	(1)		1945	2,800	(1)	
1936	33,300	(1)		1946	15,000	(1)	
1937	38,800	(1)		1947	26,200	100	0.4
1938	43,500	(1)		1948	33,100	23,500	71.0
1939	48,600	(1)		1949	[2] 30,100	3,400	11.3

[1] Not sufficient to be listed separately.
[2] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 17.—*Japanese lead*

[In short tons]

	Japanese lead production	Japanese lead production sold in United States	Percent Japanese lead sold in United States		Japanese lead production	Japanese lead production sold in United States	Percent Japanese lead sold in United States
1930	3,900	(1)		1940	19,400	(1)	
1931	4,500	(1)		1941	19,100	(1)	
1932	7,100	(1)		1942	21,500	(1)	
1933	7,500	(1)		1943	23,400	(1)	
1934	7,800	(1)		1944	18,800	(1)	
1935	8,200	(1)		1945	5,400	(1)	
1936	9,800	(1)		1946	4,700	12,100	257.5
1937	11,200	(1)		1947	6,400	5,300	82.8
1938	13,000	(1)		1948	7,400	24	.3
1939	16,300	(1)		1949	[2] 14,100	2,100	14.9

[1] Not sufficient to be listed separately.
[2] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 18.—*Burma lead*

[In short tons]

	Burma lead production	Burma lead production sold in United States	Percent Burma lead sold in United States		Burma lead production	Burma lead production sold in United States	Percent Burma lead sold in United States
1930	89,100	(1)		1941	82,100	(1)	
1931	83,700	(1)		1942	18,900	(1)	
1932	79,700	(1)		1943	(2)	(1)	
1933	80,700	(1)		1944	(2)	(1)	
1934	80,400	(1)		1945	(2)	(1)	
1935	80,700	(1)		1946	(2)	(1)	
1936	81,900	(1)		1947	(2)	(1)	
1937	87,000	(1)		1948 (pig lead production)	8,300	2,300	27.7
1938	89,700	(1)		1949	(3)	1,800	
1939	86,700	(1)					
1940	89,000	(1)					

[1] Not sufficient to be listed separately.
[2] Unknown.
[3] Estimated.

Source: American Bureau of Metal Statistics and U. S. Bureau of Mines.

TABLE No. 19.—*Consumption of lead in the United States in 1948 and 1949*

[In short tons]

	1948	1949 [1]		1948	1949 [1]
Metal products:			Miscellaneous uses:		
Ammunition	49,635	24,110	Annealing	6,132	4,126
Bearing metals	42,594	28,536	Galvanizing	1,995	708
Brass and bronze	23,239	13,807	Lead plating	2,274	763
Cable covering	171,654	125,406	Weights and ballast	6,290	4,137
Calking lead	31,473	31,355			
Casting metals	8,974	11,804	Total	16,691	9,734
Collapsible tubes	11,071	8,672	Other uses unclassified	12,495	10,486
Foil	3,203	2,503			
Pipes, traps, and bends	39,843	29,410	Total consumed	1,133,895	875,370
Sheet lead	31,559	26,257			
Solder	71,025	61,126	Available supplies:		
Storage batteries (antimonial lead)	203,869	151,676	From domestic mines	387,000	404,000
			From domestic scrap	472,000	390,000
Storage batteries (oxides)	150,536	117,213			
Terne metal	3,278	2,823	Total domestic	859,000	794,000
Type metal	26,279	20,651			
			From imported ores	64,200	107,400
Total	868,232	655,349	From imported pigs, bullion, scrap	282,900	292,100
Pigments:					
White lead	30,970	18,378	Total imports	347,100	399,500
Red lead and litharge	80,356	63,542			
Pigment colors	10,832	8,400	Grand total available	1,206,100	1,193,500
Other [2]	20,230	10,696	Consumption	1,133,895	875,370
Total	142,388	101,016	Excess supply	72,205	318,130
Chemicals:					
Tetraethyl lead	83,809	94,644			
Miscellaneous chemicals	10,280	4,191			
Total	94,089	98,835			

[1] These totals will be revised upward when data are added from those consumers who report on an annual basis only.
[2] Includes lead content of leaded zinc-oxide production.

Source: U. S. Bureau of Mines.

EXHIBIT B

BEFORE THE UNITED STATES TARIFF COMMISSION, WASHINGTON, D. C.

Application for Investigating the Difference in the Costs of Production of Domestically Mined Lead and Lead Mined in Foreign Countries, Under Section 336 of the Tariff Act of 1930, Equalization of Costs of Production and Petition for a Modification of the Duties Contained in Paragraph 391, Lead Ores, Etc., and Paragraph 392, Lead Bullion and Pigs, Etc., To Effect a Sliding Scale or Flexible Tariff

(By Emergency Lead Committee, New York 17, N. Y., February 14, 1951)

APPLICATION FOR INVESTIGATION AND PETITION OF LEAD MINING INDUSTRY FOR FLEXIBLE TARIFF RELIEF UNDER SECTION 336, TARIFF ACT OF 1930

The undersigned Emergency Lead Committee of 21 members represents all of the lead-producing States [1] in the Union, and Alaska, and speaks for numerous mining companies and mining associations representing over 90 percent of the lead mine production of the United States.

In behalf of the lead mining industry, the Emergency Lead Committee and appended mining organizations or associations makes application for an investigation by the United States Tariff Commission under the provisions of section 336, "Equalization of costs of production," otherwise known as the flexible tariff provision, with respect to paragraph 391, lead bearing ores, etc., and paragraph 392, lead bullion, pigs, bars, etc. The Tariff Commission is respectfully requested to make an investigation of the difference in costs of production of domestically mined lead and of lead mined in foreign countries with special reference to the effect of the unforeseen foreign currency devaluation by Mexico in August 1948 and by Great Britain and the British Commonwealth countries in September 1949. We respectfully suggest that the domestic and foreign lead-mining costs be investigated for a period before and after currency devaluation.

Even though many foreign countries had generally lower lead production costs than the United States, notably Canada, Mexico, and Australia, prior to the currency devaluation of 1948 and 1949, the sharp downward readjustment of the external value of the pound sterling (30½ percent) and the Mexican peso (43.8 percent) has further accentuated the difference in the respective costs of lead production, so that the lead tariff should be modified to reflect the seriously altered competitive relationship between domestic lead mines and those in foreign countries.

In the escape-clause petition of the Emergency Lead Committee, dated May 10, 1950, and filed with the United States Tariff Commission, the committee set forth its reasons for seeking an increased lead tariff to compensate at least in part for the devaluation of foreign currencies by competing lead-producing countries.

We were pleased to note that the cancellation of the Mexican Trade Agreement of December 31, 1950, brought some of the tariff relief requested—a restoration of the 50-percent cut of lead rates made in wartime in 1943—so that the full 1930 specific lead rates of paragraph 391 and paragraph 392 are now in force.

But the United States Tariff Commission in January 1951 declared itself unable to consider the escape-clause petition of the Emergency Lead Committee because the escape clause of the Mexican Trade Agreement expired with the termination of that agreement. Therefore, no official action has been taken upon the request of the Emergency Lead Committee for protection against the international competitive weapon of currency devaluation, and the escape-clause petition has been dismissed.

Recognizing the legal technicality involved in the Tariff Commission's decision, but also recognizing the fact that tariff revision has not been suspended by reason of the present national emergency, and recognizing further the fact that tariff revision is of deep moment to the orderly long-range development of our native lead resources, we wish to proceed under the provisions of section 336, the flexible tariff section of the act of 1930. The problem the lead-mining industry of the United States will face in the future when the stimulus of the present rearmament program subsides, or vanishes, is too urgent for us to do otherwise.

We would respectfully refer the Tariff Commission to the data contained in our escape-clause petition of May 10, 1950, for some of the basic information of the

[1] Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Washington, Arkansas Illinois, Kentucky, Kansas, Missouri, Oklahoma, Wisconsin, New York, Tennessee, Virginia, Texas. There are lead deposits in other States.

lead-mining industry. These data have been brought up to date to include 1950 and they further substantiate the record-making imports of lead into the United States caused largely by foreign currency devaluation. For the first time in history, the amount of lead imported in the United States was actually greater than domestic mine production as follows: Import of all foreign lead into the United States totaled approximately 550,000 tons in 1950, whereas domestic lead-mine production was 425,000 tons.

It is to be noted that the tariff law stipulates specifically in section 336 (e) (2) (C) that in ascertaining differences in cost of production, the Tariff Commission shall take into consideration insofar as it finds it practicable, "Other relevant factors that constitute an advantage or disadvantage in competition including advantage granted to the foreign producers by a government, person, partnership, corporation, or association in a foreign country."

We contend that currency devaluation is such an advantage unforeseen at the time the act of 1930 was enacted and, so far as we can ascertain, currency devaluation is not considered in international trade conferences (as at Torquay) seeking the reduction of international trade barriers, even though currency devaluation can be devastating in its impact on foreign trade, completely obliterating or reducing trade barriers caused by tariffs.

RECOMMENDATION

The Emergency Lead Committee appreciates the fact that, during times of intense market activity such as we are experiencing today, when prices are relatively high, slight or no tariff protection is needed. At other times, in periods of business depression, tariff protection is desperately needed to keep the important defense industry of lead mining alive. Although we deplore the selection by the Government of the present emergency for a consideration of tariff revision, the occasion can perhaps be turned into an opportunity to make a constructive revision within the scope permitted by law to benefit everyone.

For illustration, a provision of section 336 permits an increase or decrease of tariff rates of 50 percent. Accordingly, the rates on lead in ores could range from three-fourths of a cent to 2¼ cents, and the rate on pig lead from 1$^{1}/_{16}$ cents to 3$^{3}/_{16}$ cents per pound. Therefore, if a sliding scale of duties were applied in reverse ratio to the price, in three simple steps within the scope of the law the lead rates recommended would be as follows:

Recommended flexible tariff lead rates

Market price of lead	Tariff	
	Lead in metal	Lead in ores
	Cents	*Cents*
17 cents and over	1$^{1}/_{16}$	¾
12 cents to 17 cents	2⅛	1½
Up to 12 cents	3$^{3}/_{16}$	2¼

The result of adopting such a scale would be that when the free market price of lead in New York is over 17 cents, the tariff applicable would be 1$^{1}/_{16}$ cents and not 2⅛ cents, as it is at present. But should the price drop below 12 cents, protection would be 3$^{3}/_{16}$ cents, not 2⅛ cents.

The reasons for requesting adequate tariff protection for the lead-mining industry are not repeated here, as they have been set forth in statements of the Emergency Lead Committee before the Committee on Reciprocity Information in June 1950, and in the testimony of numerous Senators and Representatives now in your possession. This application and petition is directed to an investigation of the differences in the cost of lead production in the United States and foreign countries to supply added supporting evidence to the validity of our request for proper protection against foreign currency devaluation.

The Emergency Lead Committee will be pleased to cooperate with the Tariff Commission in assembling the required information and cost data for its investigation of the lead-mining industry in the United States and foreign countries.

Respectfully submitted.

EMERGENCY LEAD COMMITTEE,
J. B. HAFFNER, *Chairman*,
F. E. WORMSER, *Secretary*.

(List of committee names and cooperating associations follows:)

EMERGENCY LEAD COMMITTEE

Thomas Bardon, president, Shattuck Denn Mining Co., 120 Broadway, New York 5, N. Y.
O. W. Bilharz, manager, Bilharz Mining Co., Baxter Springs, Kans.
P. R. Bradley, Jr., Alaska Juneau Gold Mining Co., 1022 Crocker Building, San Francisco, Calif.
Charles A. Chase, vice president and general manager, Shenandoah-Dives Mining Co., Silverton, Colo.
Cecil A. Fitch, Jr., vice president and general manager, Chief Consolidated Mining Co., Eureka, Utah.
L. D. Foreman, Defense Mining Co., Darwin, Calif.
J. B. Haffner, vice president, Bunker Hill & Sullivan Mining & Concentrating Co., Kellogg, Idaho.
Marshall L. Havey, vice president, New Jersey Zinc Co., 160 Front Street, New York 7, N. Y.
Paul H. Hunt, vice president, Park Utah Consolidated Mines Co., Continental Bank Building, Salt Lake City, Utah.
Elmer Isern, president, Eagle-Picher Mining & Smelting Co., Joplin, Mo.
Jens Jensen, secretary-treasurer, Pend Oreille Mines & Metals Co., Old National Bank Building, Spokane, Wash.
Paul Jessup, vice president, Day Mines, Wallace, Idaho.
M. H. Loveman, manager, Tri-State Zinc Co., Post Office Box 1011, Galena, Ill.
W. W. Lynch, vice president, Calumet & Hecla Consolidated Copper Co., 60 East Forty-second Street, New York 17, N. Y.
George Mixter, vice president, United States Smelting, Refining & Mining Co., 75 Federal Street, Boston, Mass.
Raymond F. Orr, president, Athletic Mining & Smelting Co., Post Office Box 540, Fort Smith, Ark.
E. H. Snyder, president, Combined Metals Reduction Co., Felt Building, Salt Lake City, Utah.
Joseph H. Taylor, vice president and general manager, Peru Mining Co., Silver City, N. Mex.
J. G. Trewartha, vice president and general manager, Mahoning Mining Division, Ozark-Mahoning Co., Rosiclare, Ill.
Howard I. Young, president, American Zinc, Lead & Smelting Co., St. Louis, Mo.
F. E. Wormser, vice president, St. Joseph Lead Co., 250 Park Avenue, New York 17, N. Y.

COOPERATING ASSOCIATIONS

Arizona Small Mine Operators Association, C. F. Willis, secretary, Phoenix, Ariz.
Colorado Mining Association, R. S. Palmer, executive secretary, 204 State Office Building, Denver 2, Colo.
Idaho Mining Association, H. M. Marsh, secretary, Boise, Idaho.
New Mexico Miners and Prospectors Association, J. C. Pierce, secretary, Albuquerque, N. Mex.
Northwest Mining Association, E. C. Stephens, president, 512 West First Avenue, Spokane 8, Wash.
Tri-State Lead and Zinc Ore Producers Association, O. W. Bilharz, president, Baster Springs, Kans.
Utah Mining Association, W. M. Horne, acting manager, Kearns Building, Salt Lake City 1, Utah.
American Mining Congress, San Francisco Section, Albert F. Knorp, secretary, San Francisco, Calif.

[From the Metal Bulletin, November 24, 1950]

EXTRACT FROM STATEMENT BY THE CHAIRMAN OF THE NORTH BROKEN HILL, LTD., MR. M. H. BOILLIEU, AT THE ANNUAL MEETING OF THE COMPANY IN MELBOURNE

"Devaluation of sterling and other soft currencies in relation to the dollar had resulted in an increase in the shipments of lead to United States of America from a number of soft currency countries."

[Excerpt from Journal of Commerce, New York, Tuesday, July 25, 1950]

DEVALUATION HELD AID TO SOUTH AFRICA—BENEFITS ARE SHOWN IN INCREASED MINING DIVIDENDS, BANK SAYS

The Union of South Africa, which had to restrict imports last year to rectify an adverse dollar position and which succeeded in adjusting the deficit within the year, has been greatly benefited by devaluation of sterling, the Earl of Athlon, chairman of the Standard Bank of South Africa, Ltd., says in the bank's annual report.

The benefits are shown by the increase in the amount of mining dividends compared with 1948. Operations of the mines, his report adds, also was assisted by improved deliveries of equipment and by a large increase in the native labor force. Prospecting and development has been well maintained, especially in the Orange Free State, where work is in progress on 10 mines, the first of which it expected to become a producer within the next 18 months.

Senator MILLIKIN. With a very minor exception here the international fund has served simply to strait-jacket the self-declared parities of the currencies of the countries participating in that fund, is that not correct?

Mr. WORMSER. That is correct, sir.

Senator TAFT. Who is the secretary of the Emergency Lead Committee?

Mr. WORMSER. I am, sir.

Senator TAFT. And you, personally, then learned from an official of the conference that no consideration was being given. Do you care to say who that was?

Mr. WORMSER. Yes, sir. It was a Dr. Ford, an Englishman to whom I was referred when I appeared at Torquay and tried to see for myself how a conference of such an international character was conducted and endeavored to get an answer to this question, or rather a confirmation that these trade-agreement conferences were not going to consider currency devaluation.

Senator TAFT. And have you any direct statement from representatives of the State Department or the negotiating group there to the same effect?

Mr. WORMSER. I have nothing in writing, sir. I just talked to Dr. Winthrop Brown who was the head of the group in the State Department charged with the responsibility of conducting the negotiations. And he told me definitely they were not considering currency devaluation.

Senator MILLIKIN. When you were over at Torquay did the American delegation know you were there?

Mr. WORMSER. No, sir. I do not think they did. As a matter of fact, I made no effort whatsoever to contact the American delegation.

Senator TAFT. You say Dr. Winthrop Brown?

Mr. WORMSER. I saw him here in Washington. I asked for Dr. Winthrop Brown in Torquay, but he was not there at the time, sir.

The CHAIRMAN. Thank you, sir, for your appearance.

Mr. WORMSER. Thank you, sir.

The CHAIRMAN. At the request of Senator Henry C. Dworshak, I place in the record a communication from the Honorable Richard Ranson, chairman of the Senate Mines and Mining Committee and Glenn Brewer, chairman of the House Mines and Mining Committee of the State of Idaho, advocating protection to the mining industry to offset currency devaluation.

(The statement is as follows:)

STATE OF IDAHO, SENATE CHAMBER,
Boise, February 13, 1951.

Hon. HENRY C. DWORSHAK,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Detrimental to our Idaho lead-mining industry and more serious to the prospector, marginal miner, and small operator are our present national tariff and tax policies. More particularly are we disturbed about the adverse effects on domestic lead mining by foreign currency devaluation and especially so if we should get a swing toward peace in the near future.

Foreign currency devaluation is an unfair international trade weapon which has resulted in an unpredecented flood of lead imports into the United States with an adverse effect upon mining in Idaho.

We urge that Congress be requested to amend the Trade Agreement Extension Act of 1951 to make mandatory provision in any new trade agreement or revision of any existing trade agreement including tariff revisions now being negotiated at Torquay, England, making allowance for the effect of foreign currency devaluation in 1948 and 1949 in the adjustment of tariff rate on metals imported into the United States.

Without some form of protection to the industry to offset the currency devaluation the foreign producer is being substantially subsidized, resulting in the lack of incentive for the small miner to reopen or try to bring back our own State mining industry.

We urge you on behalf of the citizens of Idaho, to do all possible to get some balancing counter-action to currency devaluation.

Yours very truly,

RICHARD RANSOM,
Chairman, Senate Mines and Mining Committee.
GLENN BREWER,
Chairman, House Mines and Mining Committee.

The CHAIRMAN. In lieu of a personal appearance the statement of the American Mining Congress will be inserted at this point.

STATEMENT OF JULIAN D. CONOVER, SECRETARY, AMERICAN MINING CONGRESS WASHINGTON, D. C.

In connection with the measure now before you, to extend the Trade Agreements Act for a further period of 3 years, the American Mining Congress respectfully submits the following statement of its general position:

Metals and minerals are indispensable to our national defense and security. Ore reserves in foreign countries cannot be depended upon to meet the emergencies of an atomic age and the hazards of air and submarine warfare, however important such reserves may be to supplement our domestic production in specific instances in times of peace.

We recommend therefore that Congress exercise its constitutional responsibility over tariffs through the Tariff Commission, to be administered for the welfare of the American people with strict accountability to the Congress. Reasonable protection should be provided against unfair competition from cheap foreign wages and depreciated currencies, in order to encourage exploration and development for new ore deposits and to maintain employment for American workers.

We oppose intergovernmental commodity agreements and cartels that call for state control over industry, or involve the regulation of production and prices in conflict with the traditional principles of western civilization.

This statement was adopted at a convention of the American Mining Congress in Salt Lake City last August, attended by over 5,000 mining leaders from all parts of the country, and was given final approval by our board of directors on December 5, 1950.

The bill now before you, H. R. 1612, as amended by the House of Representatives, does make effective to some extent the principle we have advocated, that the constitutional responsibility of Congress over tariffs be exercised through the Tariff Commission, and administered for the welfare of the American people with strict accountability to the Congress. It thus represents a distinct improvement over the Trade Agreements Act now on the statute books.

We respectfully urge that your committee retain the provision (sec. 7 of the pending bill) whereby the United States Tariff Commission would again be

charged, prior to the negotiation of any trade agreement, with the establishing of peril points on United States tariff rates below which serious injury might result to domestic producers. The requirement that the President publicly state his reasons to the Congress in the event any concession is granted beyond the Commission-determined limits, and that copies of that portion of the Tariff Commission's report pertaining to such concession be then filed with the committees of Congress, is an essential part of this provision.

We also recommend retention of the new escape-clause rules, calling for investigation by the Tariff Commission of applications for relief—together with remedial measures, including the establishment of import quotas—in cases where trade-agreement concessions cause or threaten serious injury to domestic industries. As we have brought out repeatedly in previous testimony before this committee, a major weakness in the trade agreements program throughout its existence has been the failure to recognize and take appropriate action where reductions in tariff duties have injured domestic producers, with resulting curtailment of production, shut-downs, and unemployment. A specific case in point at the present time is the bituminous-coal industry, which is being harmfully affected by excessive importations of residual fuel oil.

A further serious problem under the trade-agreements program has arisen in connection with the devaluation of foreign currencies in recent years. The devaluation of the British pound in September 1949, for example, had the same effect as if large additional tariff concessions had been granted to all countries in the sterling area. The effect was especially marked in the case of basic mineral commodities sold in a world market, of which lead was a notable example. An unprecedented increase in lead imports resulted in distress, bordering on demoralization, of our lead-mining industry—a situation which was only relieved by the outbreak of war in Korea and the subsequent rearmament program.

The trade-agreements program contains no mechanism for meeting this danger to domestic producers, and—as testified by the secretary of the Emergency Lead Committee—no consideration is being given in the current negotiations at Torquay to this factor of currency devaluation and its detrimental effect upon American industry.

We accordingly urge a further amendment to H. R. 1612, under which the President would be required to give consideration in any trade agreement, including the Torquay Conference, to the effect of any foreign currency devaluation that has taken place within the 5 years preceding enactment of this act, and to make adjustments in tariffs to offset or compensate for the discriminatory advantage thus accruing to foreign commerce and industry. Such a provision is urgently needed at this time if any realistic consideration is to be given to the interests of domestic producers and workmen. It is particularly important to the mining industry, in order to give some assurance for the future and thus make it possible to carry forward long-range programs looking to the discovery and development of mineral reserves needed for our future national security.

We earnestly recommend the above proposals as the minimum safeguards for our domestic producers that should be adopted at this time.

The CHAIRMAN. We will call one more witness. Mrs. Ruebhausen of the League of Women Voters of the United States.

Will you please identify yourself for the record?

STATEMENT OF MRS. OSCAR M. RUEBHAUSEN, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, NEW YORK, N. Y.

Mrs. RUEBHAUSEN. Mr. Chairman and members of the committee, I am Mrs. Oscar M. Ruebhausen of the League of Women Voters of the United States. I am from New York City.

I am speaking in behalf of the League of Women Voters of the United States which is made up of 750 local leagues in 41 States, Hawaii, Alaska, and the District of Columbia.

Tariffs and trade have been the concern of the League of Women Voters for 27 years. Our members throughout the country have studied the effects of trade on our domestic economy and on the economies of other countries. Since 1936, the League of Women

Voters has supported the reciprocal trade-agreements program and renewed its stand at its last convention held in April 1950. Each time the act is brought before Congress for renewal the league is made more aware of the absolute necessity of keeping the avenues of trade open, of expanding world markets, and of allowing all nations an opportunity to sell their goods.

Other nations have cooperated with the United States in reducing trade barriers.

Senator MILLIKIN. You say they have cooperated with us in reducing trade barriers?

Mrs. RUEBHAUSEN. Yes, sir.

Senator MILLIKIN. I do not want to take your time for a demonstration, but I wish you would submit a supplemental memorandum showing just how that was done, keeping in mind the bilateral agreements, the exchange agreements, the import licenses, the export licenses, and so forth and so on.

Mrs. RUEBHAUSEN. Yes, sir. I will do so.

(The information referred to is as follows:)

SUPPLEMENTARY STATEMENT OF LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

An evaluation of the reciprocal trade program is best made by separating the prewar period, 1934–40, from the postwar, 1945–50. During the former period every bilateral trade agreement indicated cooperation by the negotiating country. United States exports to countries with trade agreements increased 92 percent during 1937–38 over that of 1932–34, while United States exports to nonagreement countries rose 71 percent.

During the postwar period some 45 countries participated in the General Agreements on Tariffs and Trade. The stated intention of these countries was to cooperate in reducing trade barriers. In the negotiations at Geneva and Annecy all these countries reduced their tariffs on some commodities. Those persons interested in obtaining the concessions granted to the United States by other countries should refer to the two booklets published by the United States Department of State: Analysis of General Agreement on Tariffs and Trade, signed at Geneva, October 30, 1947, and Analysis of Accession and Schedules to the General Agreement on Tariffs and Trade, negotiated at Annecy, France, April-August 1949.

Many of these countries, however, have controls over imports. While they have reduced tariffs, they have maintained exchange controls, quotas, and import licenses. These controls are used because of balance-of-payment difficulties and arise, according to the United States Tariff Commission, from these countries' "inability to export sufficient quantities of goods and services to pay for necessary imports, to say nothing of less essential imports. The productive capacity of countries that suffered heavily from war devastation was much lower in the immediate postwar years than before the war, and, although a large measure of recovery has taken place, some of them still produce less than in prewar years * * *. The balance-of-payments difficulties of some of the European countries have been aggrevated by a great reduction in their receipts of foreign exchange from 'invisible' items, including return from investments abroad and from services of various kinds to foreigners." In other words, these import controls maintained by other countries reflect not a lack of desire to cooperate but arise from war devastation, loss of production, and an inability to sell enough goods abroad to pay for imports.

The General Agreement on Tariffs and Trade recognized this problem. Article XII of the general agreement permits contracting countries to impose import controls to deal with balance-of-payment difficulties. The article further provides that these quantitative restrictions on imports will be relaxed as soon as the dollar situation is improved. In signing the agreement, all countries have promised to cooperate and relax their restrictions as soon as possible. Canada is the first country to fulfill this promise. As of January 1, 1951, all import restrictions have been taken off. This is one positive sign of cooperation to reduce trade barriers.

Mrs. RUEBHAUSEN. Our willingness to purchase the products of foreign producers has been an important factor in closing the dollar gap and in furthering the cause of postwar economic recovery. The consumer in this country—and everyone is a consumer—has benefited from available imports, and our industries have profited by being able to sell their merchandise abroad. In this way we are able to maintain a high level of production and employment which is so essential in fostering a high standard of living.

Senator MILLIKIN. The consumers of this country have paid the taxes to carry on our aid programs to Europe, have they not?

Mrs. RUEBHAUSEN. Yes, they have; but they benefit by having goods come into this country which are advantageous to them pricewise.

Senator MILLIKIN. We are paying for those purchases—our consumers are paying for those purchases; is that not correct?

Mrs. RUEBHAUSEN. Yes, they are; but that was part of an economic aid program.

Senator MILLIKIN. Yes, but I mean that is the end fact, is it not?

Mrs. RUEBHAUSEN. So far as foreign aid is concerned; yes.

Senator MILLIKIN. And is that not chiefly responsible for our increase in exports?

Mrs. RUEBHAUSEN. It has been to a great extent, yes, but I think as the gentleman just remarked before, one of the great advantages to us in devaluation was that then we did not have to give as much ERP money to Great Britain. I mean, it has had a disadvantage in terms that goods have come into this country cheaply from the point of view of the competitors in this country.

Senator MILLIKIN. Would you like to make a little bet on that, that we will not have to give Great Britain any more money?

Mrs. RUEBHAUSEN. No.

Through the European recovery program and other forms of economic assistance we have labored to create healthy stable economies among nations that are our friends and allies. This is no time to throw the cloak of protectionism across our borders in an attempt to reduce the amount of goods that would normally be imported into this country. We led in the formation of the European recovery program, the North Atlantic Pact, and recently in the effort to mobilize the free world for defense against aggression. Our foreign policy thus has become one of leadership and it must continue to be one of leadership.

In mobilizing for defense we need a great many strategic materials from countries in every part of the world. Some commodities normally produced at home will have to be supplied from abroad. Many countries will not be able to export as much because of their defense effort; but they still will produce some goods for export. The dollars they can earn through such sales will enable them to buy materials necessary for their defense. Therefore, in this period it is especially vital that the United States lead in promoting international economic cooperation.

Senator TAFT. Do you think that this tariff program is in any way necessary for us to acquire the strategic materials that we need? Whether you had a tariff program or not you certainly would secure the strategic materials that you need.

Mrs. RUEBHAUSEN. It depends. I mean, to raise the tariff on manganese now, the result might be that the manganese producer will sell some place else.

Senator TAFT. I know, but we are going to buy abroad the strategic materials we need. We do not need a tariff program to do that or any reciprocal trade agreements to do that, do we? We have to have 7 or 8 billion dollars' worth of imports without any trade agreement program at all. We will have no difficulty in getting it. They are all glad to sell it to us, whether we reduce the tariff or do not reduce it. If we have to have it, we get it. Whether that is putting money in one pocket and paying it out of the other, or not. Certainly, it does not harm anything, one way or the other. The tariff has no relation to the question of whether we acquire any strategic materials abroad that we need, it seems to me. I do not see the argument in that paragraph at all.

Mrs. RUEBHAUSEN. Well, sometimes the dollars that they earn here will enable them, perhaps, to buy, say, mining equipment.

Senator TAFT. They will earn dollars, of course. They are going to earn the dollars, the way Brazil earns the dollars that we pay for coffee. That is the bulk of the trade there, anyway. The question is how much can you increase beyond that by the reciprocal trade agreements.

So far as things we have to have are concerned I do not see how that is an argument for this agreement or against it, so far as that is concerned.

Mrs. RUEBHAUSEN. Well, supposing you were a mining company and you wanted to develop some mines because the United States, for example, would want to buy the extracted minerals. But you needed some dollars to buy mining equipment in this country. You might have to sell more than just your strategic materials. You might have to sell other things in order to buy the mining equipment.

Senator TAFT. In mobilizing for defense we need a great many strategic materials from abroad. Presumably, we will buy all we will need, and no more, I suppose, except whatever we need for stockpiling, which is a part of that need.

Mrs. RUEBHAUSEN. If the foreign country is trying to promote its production and develop a mine, for instance, it might need dollars to buy American mining equipment.

Senator TAFT. They will get the dollars the moment they have anything we need. They take the dollars.

Mrs. RUEBHAUSEN. They might not gain enough by selling lead, for example, to us to get enough dollars to buy machinery to develop their mines. Our tariff policy should allow the country to sell materials to us so that the earned dollars would help pay for the equipment to produce strategic materials which the United States would need.

Senator TAFT. That is an argument for the tariff, but no argument for this paragraph in which you tried to make the fact that we need a great many strategic materials from abroad as a reason for having reciprocal trade agreements programs. That just is not any reason for it. That is my only suggestion.

There may be other reasons for it.

Mrs. RUEBHAUSEN. I was trying to answer that.

Unfortunately the House of Representatives added four amendments to the Trade Agreements Act wihch will in effect indicate to the rest of the world that we no longer intend to foster economic cooperation and the reduction of trade barriers. These amendments were not added because our economy is suffering from import competition.

Senator MILLIKIN. Are you aware that the State Department has abandoned ITO.

Mrs. RUEBHAUSEN. Yes.

Senator MILLIKIN. They said that they have permanently abandoned that. Secretary Acheson said that here, that they had abandoned that.

Mrs. RUEBHAUSEN. Yes.

Senator MILLIKIN. Have you seen any vast world repercussions that resulted from that abandonment?

Mrs. RUEBHAUSEN. No, I have not, yet.

Senator MILLIKIN. Thank you.

Mrs. RUEBHAUSEN. The League of Women Voters is opposed to the insertion of these amendments in the act and requests that the members of this committee seriously consider the repercussions that may follow if the act is passed with the additions. We believe that these amendments will in the long run do more harm to ourselves as a nation than any benefit that could accrue to the very few producers that the amendments are designed to protect. The consumer loses because he cannot buy as cheaply the goods he desires. Our export industries suffer because other nations may use this opportunity to restrict the importation of American goods.

Senator MILLIKIN. If the consumer is not a producer, or what money he gets is not related to production, he does not consume, is that not correct?

Mrs. RUEBHAUSEN. Yes.

Senator MILLIKIN. So you cannot consume, if you do not keep up production.

Mrs. RUEBHAUSEN. You cannot consume if you do not have money.

Senator MILLIKIN. And you get your money through production, is that not correct?

Mrs. RUEBHAUSEN. That is one way.

Senator MILLIKIN. And so in the end it comes to that, does it not, it always has to come from production?

Mrs. RUEBHAUSEN. That is correct.

Senator MILLIKIN. There may be an intermediate transfer of money which is not directly related to production, but it all comes out of production; so if you injure the producer you are injuring the consumer.

Senator KERR. You enhance the amount or increase the amount of money you have by trade and commerce, too, do you not?

Mrs. RUEBHAUSEN. Yes, I think if you hurt one producer you may help another.

Senator KERR. And you not only get your money from production, but you also get it from trade and commerce in connection with that production?

Mrs. RUEBHAUSEN. Yes. I assume that Senator Millikin included such things as insurance and shipping and the like.

Senator KERR. I would advise you that the Senator is perfectly able to make clear what he means.

Mrs. RUEBHAUSEN. I know he is a real expert.

Senator MILLIKIN. I thank you for coming to my aid.

Mrs. RUEBHAUSEN. Our negotiators are hampered when they meet with representatives of other countries to reduce trade barriers and increase world trade on a cooperative basis. Finally, the Nation has weakened its foreign policy by defaulting on its obligation to help lead the world in achieving closer economic and political unity.

Senator MILLIKIN. Does not every nation with which we are associated in the reciprocal trade system, except for the few with which we have not yet completed escape-clause agreements, escape from any concession that may be burdensome to it?

Mrs. RUEBHAUSEN. Do they not escape from any burden?

Senator MILLIKIN. Let me put it another way. We talk as though we were doing something that the other countries would not like or are not doing. All countries that we are associated with, with a few exceptions, have escape clauses in their agreements, in other words, they will escape when they are injured just as we should escape when we are injured.

Mrs. REUBHAUSEN. That is why I think we should both have escape clauses in the agreement.

Senator MILLIKIN. I agree with you entirely.

Mrs. RUEBHAUSEN. Yes.

The amendment on agricultural commodities could violate the General Agreement on Tariffs and Trade by forcing us to withdraw concessions granted in those agreements. Agricultural commodities could not be the subject of future concessions because our negotiators would not know whether these products would come under price support in the future.

The escape clause amendment sets very rigid criteria to determine injury to a domestic producer. Production is not always stabilized; inventories grow more in one season than in another; strikes and technological changes may cause a temporary decrease in employment in many industries; yet these standards can be given undue weight to prevent products from other countries from entering our markets.

The escape clause amendment forces the establishment of a peril point on a product after the Tariff Commission has investigated a case and has found that no injury has occurred. Potentially all products listed in trade agreements since 1934 would be subject to a published peril point. Not only will the Tariff Commission tend to be overcautious in determining a peril point but such a report will inform other nations of the minimum rates which will be established for all products. Bargaining on these products in the future will tend to become meaningless because nations will know how far the United States can reduce tariffs. The establishment of peril points in this amendment as well as in the peril point amendment itself produces a tendency to contract world trade instead of expanding it.

Senator TAFT. That is the point beyond which you cannot reduce them and the other nations know that.

Mrs. RUEBHAUSEN. That is half of the rate of 1945. They know the range.

Senator TAFT. This limitation might be a little higher.

Mrs. RUEBHAUSEN. But they do not know the exact point.

Senator TAFT. They know the exact point beyond which we cannot reduce our tariffs.

Mrs. RUEBHAUSEN. They know a range of it.

Senator TAFT. They know we cannot go below 50 percent of the 1943 or 1944 rates, whatever it is.

Mrs. RUEBHAUSEN. The 1945 rates.

Senator TAFT. The 1945 rates. They know that.

Mrs. RUEBHAUSEN. They know that.

Senator TAFT. And the peril points just mean that they know it will figure a little higher.

Mrs. RUEBHAUSEN. I think there is a wide range in there.

Senator TAFT. There would be some range down to the peril point, presumably, unless the American industry is going to be put out of business right away.

Senator MILLIKIN. Your objection goes to the peril-point provision in the escape-clause amendment, is that correct?

Mrs. RUEBHAUSEN. Both, Senator Millikin, in the escape clause where the rate would have to be published.

Senator MILLIKIN. You are now talking to the escape clause, is that correct?

Mrs. RUEBHAUSEN. Yes. We are also opposed to the peril-point amendment as such.

The league would like to point out some of the possible ramifications of the amendment restricting trade concessions to Communist countries. The amendment gives excellent propaganda to these countries permitting them to accuse us of violating our former agreements. The United States has endeavored in its information program to the people of these countries to prove that it is the Soviet Union and its satellites, not the United States, that has failed to cooperate in abiding by its international agreements. Furthermore, our trade with these countries is negligible and the amendment will not result in any appreciable economic benefit to us. If it is the intention of the United States to cut off all relations with the Communist countries, then this should be done in other ways and not indirectly through the trade agreements program.

In conclusion, as a representative of the League of Women Voters, I urge that you consider the very harmful effects these amendments can have on our whole foreign economic policy and that by so doing you will recommend that the bill be passed as it was originally introduced in the House. If certain producers think they have been injured by foreign competition, let them apply to the Tariff Commission for an investigation. To date, very few have used this avenue for relief. Let us not vitiate our present position as leader among the free nations of the world by obstructing the progress of the reciprocal trade agreements program.

Senator MILLIKIN. Do you know how many applications for relief there have been to the Tariff Commission?

Mrs. RUEBHAUSEN. Twenty.

Senator MILLIKIN. How many have been granted?

Mrs. RUEBHAUSEN. One.

Senator MILLIKIN. Do you wonder why they do not apply for relief?

Mrs. RUEBHAUSEN. No, I do not. I think that is a very good record out of the many thousands of concessions that have been granted.

Senator MILLIKIN. You can understand why people will not apply for relief, do you not?

Mrs. RUEBHAUSEN. No; if I were in industry and I was suffering I would apply for relief and I would make it very public that I was so doing. I have been surprised that so few industries have applied for relief.

Senator MILLIKIN. You do not believe in playing with loaded dice, do you?

Mrs. RUEBHAUSEN. If I feel that I am injured I believe in making a hue and cry about it.

Senator MILLIKIN. You would ask for a fresh set of unloaded dice, that is what you would ask for.

The CHAIRMAN. Thank you very much, Mrs. Ruebhausen.

Mrs. RUEBHAUSEN. You are welcome. Thank you.

The CHAIRMAN. The next witness, Mrs. C. D. Wright, chairman of the legislation department of the General Federation of Women's Clubs is submitting a brief for the record. We will put it into the record at this point.

(The brief submitted by the General Federation of Women's Clubs is as follows:)

STATEMENT OF THE GENERAL FEDERATION OF WOMEN'S CLUBS, PRESENTED BY MRS. C. D. WRIGHT, CHAIRMAN, LEGISLATION DEPARTMENT

The General Federation of Women's Clubs is the largest organization of its kind in the world. It has within the United States a membership of over 5½ million women, with a voting membership of 770,000.

At this time it should be made clear to your committee that support of the reciprocal trade program in its present form by the general federation stems largely from the interest of our members in their own economy. The general federation is composed mostly of housewives concerned with the ever-increasing difficulties in obtaining necessary commodities and purchasing them at reasonable prices. These women are essentially laymen, not tariff experts, and it is trusted that whatever evaluation may be given to our statement will be on that basis. It seems reasonable to believe that reducing unnecessary tariff and other governmental barriers to imports would tend to make it possible to obtain more goods at more reasonable prices.

For many years the general federation has been on record as endorsing the reciprocal trade agreements program. Our resolutions remain active for 6 years. They are passed as the result of concrete recommendations from our clubs, and at least 2 months before consideration at our conventions, are published and distributed to the membership so that the delegates may vote intelligently and in accordance with State club action.

In 1948 when we renewed our support of the reciprocal trade agreements program, we were well aware of the defects in proposed legislation then being considered by the Eightieth Congress. Therefore the following resolution was proposed and adopted unanimously:

"*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, and

"*Resolved further,* That the General Federation of Women's Clubs endorses the International Trade Organization and urges congressional authorization for United States participation therein."

The general federation objects to the several amendments incorporated in H. R. 1612 by the House in passage of the bill.

We feel that, in this time of world tension when necessity for expansion of world trade is a most important part of the efforts of the United States to keep the peace of the world, these amendments endanger the success of our foreign policy.

When control of communism rests in large part on the economic development and security of peoples in the underdeveloped areas of the world, when the Congress of the United States voted bipartisanly to provide aid under the point 4 program as an implementation of our expressed concern with substandard

living conditions throughout the world, limitations, and practically nullifications, of the trade agreements program do not make sense.

No organization in the United States is more patriotic than the general federation. However, we cannot go along with the Byrnes amendment. Until an actual conflict takes place, we do not believe in baiting Russia or its satellite countries by discriminating in our trade with them. The value of this amendment in terms of economic protection to our industry seems negligible. About 2½ percent of our imports come, I believe, from iron-curtain countries. These imports are, for the most part, things which we urgently need for national security purposes or which, under existing circumstances, we would continue to import, regardless of the tariff treatment applied to them.

With regard to including the escape clause in all trade agreements, we do not understand why a portion of an industry whose failure to expand might be attributable in part to increased imports should be able to demand that the Tariff Commission devote months of work to investigating its situation.

Peril point amendment. We are not tax experts, as I pointed out at the beginning of this statement. However, it appears to us that negotiations would be very much limited if the Tariff Commission is required to set points years ahead, and that, in self-protection, its recommendations would tend to be highly conservative.

Why the Tariff Commission should be barred from giving advice to the Trade Agreements Committee we cannot understand. Here again we have duplication with two sets of hearings, and in the end the Tariff Commission is, in effect, set up as the czar rendering sole judgment on tariff reductions. We consider this amendment against the best interests of the country.

Farm price amendment. Inasmuch as there are so many agricultural commodities subject to the price support program, this amendment necessitates violation of many of the existing trade agreements. In return other countries would withdraw important concessions to us, with resultant injury to our export trade.

If this export trade should drop, and it surely would, then the loss of foreign markets would certainly cause even higher price support programs here and higher taxes.

To the general federation it appears that labor, management, the farmer, all have had their successful day in court. These amendments are proof. The consumer, and we of the general federation speak with authority for him, is the forgotten man. As a matter of fact there seems to be no committee of the Congress peculiarly concerned with the consumer or his problems.

The members of the general federation are particularly concerned with the vicious circle of increasing costs of production—higher wages for the workman—subsidies for the farmer—and the housewife paying for consumer goods on an ever widening spiral.

To limit free import and export of goods—to hamstring the trade agreements program—is not only endangering world prosperity and the hope of a peaceful settlement of the present world crisis, but is directly working a hardship on the consumer of this country. The Reciprocal Trade Agreements Act as amended in the House will force the consumer to pay what is really a subsidy to keep in business concerns whose failure will not be staved off forever by such legislation; poor management and incompetence will win in the end anyway.

It seems about time that the consumer had a little protection, too. A great deal has been said about foreign goods in competition here. Much of it is not in competition—it is a better grade or a type not found here. When a housewife can afford English tweeds, Irish linens, Italian luncheon sets, she will buy them rather than domestic offerings, because they are of better texture and more satisfying esthetically.

We preach free enterprise, then want to shut our producers and manufacturers behind a Chinese wall where they will be free to put on the market materials of inferior quality and poorer workmanship at higher prices than the consumer can buy them on a world market.

Good materials sell themselves—the average member of our federation belongs to the middle income group. She must make her money bring in the best return. We want to see our American industry prosper, but it should stand on its own merit. If it builds the best mousetraps, the American consumer will still beat a path to the maker's door.

In view of the above considerations, we respectfully urge the extension of the Reciprocal Trade Agreements Act for 3 years in the form passed by the Eighty-first Congress.

The CHAIRMAN. I do not believe we will have time to hear another witness. We must report now. The remaining witnesses will have to be carried over.

There is an amendment pending by Senator Brewster, a member of this committee, on which the committee asks for a report from the Tariff Commission. That is now here and we will put it in the record, because it applies to the amendments of the bill H. R. 1612.

(The report referred to is as follows:)

REPORT TO THE SENATE COMMITTEE ON FINANCE ON THE AMENDMENTS WHICH SENATOR BREWSTER INTENDS TO PROPOSE TO H. R. 1612, EIGHTY-SECOND CONGRESS—A BILL TO EXTEND THE AUTHORITY OF THE PRESIDENT TO ENTER INTO TRADE AGREEMENTS UNDER SECTION 350 OF THE TARIFF ACT OF 1930, AS AMENDED

The amendments which Senator Brewster itends to propose to H. R. 1612 relate to the bill in the form in which it was introduced in the House of Representatives and subsequently reported favorably to the House of Representatives by the Committee on Ways and Means. Obviously drafting changes will have to be made in these amendments in view of the amended form in which the bill passed the House of Representatives. The various amendments to H. R. 1612, as introduced by Senator Brewster on February 8, 1951, are discussed separately below.

Amendment shortening the period by which the trade-agreement authority is extended.—Section 2 of the amendments introduced by Senator Brewster would reduce the time for which the trade-agreement authority is to be extended from 3 years to 1 year from June 12, 1951.

Amendment establishing a joint congressional committee on the trade-agreements program.—Section 5 of these amendments provides for the establishment of a joint congressional committee to be composed of Members of the House and Members of the Senate to be appointed by the Speaker of the House and the President of the Senate, respectively. It is provided that the committee review and analyze the trade-agreements program and determine the effect of the program on United States industry, trade and commerce, and its importance to the foreign relations of the United States. It is provided further that the committee shall report to the Senate and House of Representatives not later than April 1, 1952, with such recommendations as it should deem advisable. Thus, the report is to be submitted in time to be used in consideration of further extension of the Trade Agreements Act, which under section 2 of these amendments would expire on June 12, 1952.

Amendment relating to the trade agreements escape clause.—The amendment relating to the escape clause would require certain changes in the manner in which the trade agreements are now administered.

Section 3 (a) of these amendments would change the procedure at present in use in initiating investigations under the escape clause. It would require the President, upon request of the Committee on Ways and Means of the House of Representatives or the Committee on Finance of the Senate, or upon resolution of either House of Congress, to cause an investigation to be made to determine whether the escape clause of any trade agreement should be invoked. The President would be free to designate the agency to conduct any investigations which he might be so directed to make, and to establish the manner and the limits within which they would be conducted. Section 3 (b) requires that whenever an application of any American citizen, corporation, or association for action under an escape clause is denied the President shall cause to be made public the reason for such denial.

There is no statutory requirement under existing legislation either for undertaking investigations under the escape clause, or for making public the reasons for denying any application for action under the escape clause.

Under Executive Order 10082, however, the President has established certain procedures relating to the administration of trade agreements which designate the Tariff Commission as the agency to conduct investigations under the escape clause and establish, in general, the manner in which they shall be conducted. Section 13 of the Executive order provides that the Tariff Commission, upon the request of the President, upon its own motion, or upon application of any interested party

when in the judgment of the Tariff Commission there is good and sufficient reason therefor, shall make an investigation under the escape clause. The Executive order does not require the Commission to undertake an investigation upon the request of the Ways and Means Committee of the House of Representatives or the Finance Committee of the Senate or pursuant to a resolution of either House of Congress, though it is unlikely that such a request from any of these bodies would be refused. The Commission also is not required to give consideration to any request for such an investigation from American citizens, corporations or associations unless they are "interested parties," nor is it required by the Executive order to make public its reasons for denying any application made to it, regardless of whether a formal investigation is undertaken. Under the Commission's existing Rules of Practices and Procedure (sec. 207.8), however, the Commission when it makes a formal investigation states its reasons for dismissal of the investigation if it finds no basis for action.

Section 4 of these amendments:

This section reads as follows:

"Whenever the President finds that, as a result of any trade agreement concession or obligation, any article is being imported in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, he shall withdraw or modify the concession, or suspend the obligation, in whole or in part, to the extent and for such time as he finds necessary to prevent such injury."

The escape clause in the General Agreement on Tariffs and Trade reads as follows:

"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."

This section of the Brewster amendments thus provides for an escape from trade-agreement concessions which differs in text substantially from the text of the standard clause as incorporated in the General Agreement on Tariffs and Trade. Under this amendment the President is not actually obliged to make any finding as a result of an investigation even though the investigation should be one which he is required to cause to be made in compliance with section 3 of these amendments if that section should be adopted. However, when he does make a finding, he is required, with respect to the article in question, to "withdraw or modify the concession, or suspend the obligation, in whole or in part, to the extent and for such time as he finds necessary to prevent" the serious injury found to have occurred or to be threatened.

Under Executive Order 10082, when the Tariff Commission finds after investigation that "as a result of unforeseen developments and of the concession granted, or other obligation incurred, by the United States * * * such article is being imported into the United States in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles" the President considers the Commission's finding "in the light of the public interest" and may take action to withdraw or modify the concession granted on such article.

This amendment (sec. 4) does not contain the requirement that the injury must have resulted from "unforeseen developments" as well as of the concession granted, etc. It uses the term "domestic producers" instead of the phrase "domestic industry producing" articles like or directly competitive with an imported article. It also requires the President, in the event of a finding of injury, to withdraw or modify the concession whether or not that concession is contained in a trade agreement which includes the escape clause. In addition, the amendment requires the President, once the finding of injury has been made, to withdraw or modify the concession without regard to whether or not such action on his part, in his judgment, would be "in the * * * public interest."

An important difference between this amendment and the present escape-clause procedure established by Executive Order 10082 is that the amendment does not contain the requirement that the injury must have resulted from unforeseen developments. This might result in narrowing the scope of possible action compared with that possible under the escape clause as it has been interpreted

by the Tariff Commission. The amendment requires withdrawal or modification of concessions whenever "the President finds that as a result of any trade-agreement concession or obligation" serious injury has occurred or is threatened. This might be construed as permitting action only to the extent that the injury is caused by the concession granted. Such an interpretation would restrict action which could now be taken under the escape clause. This follows from the fact that the competitive situation in an industry at any given time is the result of numerous factors and, if it has become less favorable, the duty reduction may have been only one, and possibly not the most important, of the causal factors involved. As the language of the present escape clause has been interpreted by the Tariff Commission, serious injury upon which action is based need not be caused solely, or even principally, by the trade-agreement concessions. All that is required is that the concession be a contributing factor. Under this amendment it might be necessary to show that the concession alone and in isolation from other factors was the cause of serious injury.

In support of the foregoing conclusion, namely, that the omission in the Brewster amendment of the requirement that injury must have resulted from unforseen developments might result in narrowing the scope of possible action compared with that possible under the escape clause as it has been interpreted by the Tariff Commission, a majority of the Commission (Commissioners Ryder, Edminster, and McGill) desire to submit the following considerations:

Under the terms of the existing Executive order it is necessary, in order to justify action under the escape clause, to determine that, "as a result of unforeseen developments and of the concession granted by the United States * * *," imports of a product are entering "in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles." In its published statement regarding procedure and criteria with respect to the administration of the escape clause in trade agreements (p. 6), the construction placed by the Commission upon the words "unforeseen developments" is that "when imports of any commodity enter in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers, this situation must, in the light of the objective of the trade-agreement program and of the escape clause itself, be regarded as the result of unforeseen developments." This, in our view, is the only possible interpretation that makes sense. Had those who administer the trade-agreements program foreseen not merely an increase in imports (which is what would be anticipated from reducing a tariff duty in such negotiations), but such an increase in imports as would result in serious injury or threat of injury to the domestic industry, they could not have made the concession without violating the clear meaning and intent of the escape clause and of the Executive order governing the administration of the Trade Agreements Act. To suppose that they would subsequently condemn themselves of such bad faith by claiming as a reason for not taking action under the escape clause that they foresaw at the time of the negotiations that the concession granted would result in serious injury or threat of injury to the domestic industry would be fantastic. Indeed, for all practical purposes, the present provision regarding unforeseen developments might just as well read "other developments." Hence the omission of the requirement regarding unforeseen developments does not, in reality, broaden the scope of this provision.

The question remains whether, on the other hand, the omission of the words "unforeseen developments" narrows the scope of the present provision as administered by the Tariff Commission. In our view it is clearly open to such a construction. Rarely, if ever, would there be a case where increased imports sufficient to cause or threaten serious injury would be, or could be identified as being, exclusively the result of the tariff concession. Under the existing language of the escape clause and the procedures adopted by the Commission, however, this does not matter so long as the concession granted was one contributing factor, however small, operating along with unforeseen developments (i. e. in effect, other developments) as a cause of the serious injury or threat of injury. The pointed omission of this more general language, having as it does the effect of pinning action exclusively on the concession as a causal factor, could well be regarded, in our view, as placing a heavier burden of proof than is now the case upon those administering the program to show that the concession was a causal factor of substantial, if not major, importance.

Commissioners Brossard and Gregg are of the opinion that the removal of the requirement that the serious injury must have resulted from unforeseen developments broadens rather than narrows the scope of possible action under the escape

clause. Under the terms of the existing Executive order, if action under the escape clause is recommended, it must be found that imports of a product have entered the United States in such increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles as a result of unforeseen developments and of the concession granted, or other obligation incurred, by the United States. In other words, both situations must exist, namely, unforeseen developments and the effect of the obligations incurred by the United States, including tariff concessions. The proposed amendment removes one of those conditions. Consequently, hereafter, in order to permit the withdrawal of the concession it need only be found that the increased imports occurred as a result of the effect of the obligations incurred by the United States, including tariff concessions.

It is true that the Tariff Commission heretofore by interpretation has suggested that the tariff concession need not have been the only factor which brought about increased imports and that, despite the presence of other factors, if the tariff concession has contributed to the increased imports, action under the escape clause may be justified. Commissioners Brossard and Gregg, however, are unable to see in what respect the omission of the requirement that the increased imports must have also resulted from unforeseen developments would necessarily result in a change of interpretation with respect to the second requirement that injury be found to result from obligations incurred in the trade agreement, including tariff concessions.

Another important difference between this amendment and the present escape clause as it is administered under the authority of Executive Order 10082 is one that would, on the other hand, broaden the scope of possible action. The escape clause itself reads that action may be taken to prevent serious injury to "*domestic producers*" (italics ours) of articles like or directly competitive with the imported articles causing or threatening the injury. Under Executive Order 10082, such action is envisaged only if there is injury actual or threatened to "the *domestic industry producing* (italics ours) like or directly competitive articles." This amendment goes back to the term "domestic producers" without, however, any stipulation that the articles produced by them be like or directly competitive with articles the imports of which are the cause of the injury. Whether in actual operation change from the present escape-clause procedure would result in any material change in the scope of action under the escape clause would depend upon the interpretation given the term "domestic producers" and upon the extent to which serious injury may be caused such producers by imports of articles which, under the escape-clause procedure, would be regarded as neither like nor directly competitive with articles produced by them.

The fact that this section of these amendments apparently would apply to all trade-agreement concessions, including those in trade agreement which contain no escape clause also would broaden the scope of possible escape action. Thus, in the event of a finding of serious injury as a result of imports of a product upon which concessions have been granted in a trade agreement which does not contain an escape clause, the President might be compelled, unless the matter could be successfully negotiated, to take action which would terminate the agreement in order to comply with the requirements of the amendment. The following trade agreements do not contain the escape clause: Honduras, Guatemala, El Salvador, Costa Rica, Ecuador, Turkey, Venezuela, Argentina, Peru, Uruguay, Iceland, and Iran.

An additional important difference between this amendment and the present escape clause procedure is one which would further broaden the scope of possible action by requiring the President to withdraw or modify any concession in case he finds serious injury to have occurred. There is no provision such as that contained in Executive Order 10082 under which the President may take into consideration the "public interest" before deciding to take action if he finds serious injury to have occurred or to be threatened.

The discussion above of the amendments to H. R. 1612 as introduced by Senator Brewster has been confined to a comparison of these amendments with existing legislation and with the administration of the Trade Agreements Act under Executive Order 10082. No comparison has been made of the Brewster amendments with the amendments contained in the bill passed by the House of Representatives and now before the Finance Committee of the Senate.

Commissioner Durand being absent on official business did not participate in the preparation of this report.

The CHAIRMAN. The Secretary of the Treasury, through the Acting Secretary, Mr. E. H. Foley, submits a report on the bill which will be placed in the record.

(The letter dated March 2, 1951, from the Acting Secretary of the Treasury is as follows:)

THE SECRETARY OF THE TREASURY,
Washington, March 2, 1951.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: In your letter of February 12 you asked for the comments of this Department on H. R. 1612, a bill to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

As reported to the House by the Committee on Ways and Means, this bill would simply extend the reciprocal trade agreements program for 3 years from its present expiration date. In that form, H. R. 1612 had the support of the Treasury Department. The four amendments to the bill made on the floor of the House (secs. 3 to 8, inclusive) would, as the Secretary of State has testified before your committee, limit, substantively and procedurally, the authority which the President has exercised in entering into reciprocal trade agreements and in administering them since 1934. This Department joins with the Department of State in urging that your committee report a simple 3-year extension of the Reciprocal Trade Agreements Act without amendments.

Apart from the direct interest of the Treasury Department in this legislation stemming from its participation in the administration of the trade agreements program, this Department is also interested in it because of the Secretary's responsibility 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. Since the termination of hostilities in 1945, this Government has undertaken an unprecedented series of measures involving international cooperation with and assistance to friendly foreign countries in an effort to reestablish stable international economic relationships. An important part of this program involved an effort to promote expanding international trade as a contribution toward rising living standards both in our own country and in foreign countries.

A substantial measure of success has attended our efforts to achieve a sounder structure of international economic relationships, and it is important that we hold the gains we have achieved through the new difficult period in which we now find ourselves. Our efforts to expand the opportunities for private competitive international trade by securing intergovernmental cooperation in the progressive removal of trade and financial barriers have depended in substantial part on our willingness to minimize our own trade barriers through trade agreement negotiations. The enactment of crippling amendments to the Reciprocal Trade Agreements Act such as those enacted by the House would inevitably result in seriously hampering our efforts to liberalize international economic relationships.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to the Committee.

Very truly yours,

E. H. FOLEY,
Acting Secretary of the Treasury.

The CHAIRMAN. The Domestic Bagging Producers Association has submitted a brief and has asked that it go into the record in lieu of a personal appearance. That will be entered here at this point.

(The brief of the Domestic Bagging Producers Association is as follows:)

BRIEF OF THE DOMESTIC BAGGING PRODUCERS ASSOCIATION OPPOSING THE EXTENSION OF THE TRADE AGREEMENTS ACT

The Domestic Bagging Producers Association includes manufacturers of jute cotton bale covering as described in schedule 10, paragraph 1019, of the 1930 Tariff Act.

In some ways our industry is in a unique situation. For one thing the United States is the only market in the world for our product, commonly known as open-weave jute bagging. No other cotton-producing nation uses this kind of bale covering. Again there are only three foreign manufacturers, and the largest of these is an American-owned plant located near Calcutta in India. Our markets and our foreign competition are concentrated in a limited geographic area and in just a few firms. The very simplicity of our situation shows clearly the results of continued tariff reduction and a trend that will be manifest in many industries under anything like normal conditions of world trade.

About 20 years ago there were 15 mills in the United States producing bagging for cotton bales; today there are 8 such plants. Employment has dropped from around 7,000 to about 3,000, and this has happened to laboring people of most limited opportunity. The machinery has been dismantled; some has gone to India and some has been junked. This is the visible result in one industry of rising wages and costs in the United States and no compensating tariff protection. Half an industry has gone and with it the payrolls and tax revenues that might well have remained in our own country.

We are familiar with the argument that international trade requires us to buy abroad if we would sell abroad. The fallacious thinking that has arisen from this appealing generality is well illustrated in our business. Our basic raw material is jute produced almost entirely in India and Pakistan; the market is entirely in the United States Cotton Belt. India or Pakistan would have sold all the raw material which is free of duty if the industry itself had remained 100 percent in this country. If the tariff were 50 percent on the manufactured goods instead of less than 3 percent, we would still import jute to make the bagging we need. Our industry is a shining example of giving away, not only markets, but along with them American capital and American jobs. There is nothing "reciprocal" about this sort of thing for a bagging manufacturer; there is no foreign market for our goods; it all must sell in the cotton-growing areas of the United States.

Is this domestic industry of any importance? Is it deserving of any protection, or should it be simply exported lock, stock, and barrel? The domestic producers still cover perhaps 50 to 60 percent of the American cotton crop. In the last war shipping from India was demoralized and uncertain, and the War Production Board gave special attention to the stimulation of domestic bagging production so that the movement of cotton to market would not be hampered or restricted. Is it safe or fair to reduce the tariff so that the cotton grower is dependent on a source of supply 12,000 miles away? We are a very small wheel in the Nation's economic machinery, but great machines can suffer from lack of a small, but essential, wheel. If our production were to stop today the baling of the 1951 cotton crop would present a most difficult problem. Our business is important and deserves serious consideration regardless of its small size.

As to the necessity for a duty on cotton bagging, you are perhaps familiar with the disparity in wage costs. Most of the foreign production is in India, with labor less than 5 cents an hour; some in Scotland, with a weekly wage below $12; while we have a legal minimum of 75 cents per hour and an industry average of approximately 90 cents per hour. On a product selling at about 33 cents a yard, the tariff is now ¾ cent per yard—less than 3 percent—and it is proposed to reduce this pittance of protection to American firms with a wage cost from 4 to 15 times that of the foreign competition. And who will benefit from such a reduction? Just exactly three firms—one in Scotland and two in India. The only one of size is an American firm operating in Calcutta, paying no American property taxes, contributing nothing but its profits after Indian taxes to the American economy. These three foreign firms sell 100 percent of their output in America under the present tariff. They will sell no more and no less than 100 percent if the tariff is reduced. Trade will not be increased at all unless they increase their production further and use their low costs to eliminate more American mills. Frankly, we can only hope for a modest and contracting volume of business under the present tariff, and certainly no justification exists for any further reduction. Under our national tariff policy, our industry faces a dim future. We are only asking that the present difficult situation be not made more difficult; that the industry be allowed to die naturally rather than be hurried to execution. We oppose extension of the reciprocal trade agreements, and particularly any extension which gives opportunity to reduce the present nominal tariff on cotton-bale covering. We are a small industry, but one that has been suffering many years from low-cost foreign competition. We believe our Nation needs a domestic industry producing cotton bagging, and we respectfully solicit your consideration less our dwindling capacity become totally extinct.

The CHAIRMAN. The National Cheese Institute, Inc., has submitted a brief in lieu of a personal appearance. That brief will be entered in the record as part of the proceedings of today at this point.

(The brief of the National Cheese Institute, Inc., is as follows:)

STATEMENT OF THE NATIONAL CHEESE INSTITUTE, INC., CHICAGO, ILL., REGARDING THE EXTENSION OF THE TRADE AGREEMENTS ACT

This statement is submitted on behalf of the National Cheese Institute, Inc., with offices at 110 North Franklin Street, Chicago 6, Ill.

The National Cheese Institute is a nonstock, nonprofit organization, the active or regular members of which is composed of persons, firms, or corporations engaged in the production, assembling, manufacturing, and distributing of cheese and cheese products. Membership includes manufacturers, assemblers, processors, and distributors whether independently, privately, or cooperatively operated. Associate membership is provided for any organization having business dealings with active members. The membership of the institute manufacture over 50 percent of the cheese made in the United States; handle over 75 percent of such cheese and manufacture or handle over 90 percent of the process cheese, cheese spreads, and related products.

The institute believes that the Trade Agreement Act, if extended at all, should contain a "peril point" clause, providing for the determination of a point below which import rates should not be reduced, an "escape" clause to provide relief should American business be injured by imports, and a clause providing that no import rates should be so low as to enable the competing sale of the imported product at prices below reflected United States "support prices." The support provision in the case of milk should extend to those products commonly manufactured from milk regardless of whether each such end product is supported by governmental operation.

These recommendations are made on the basis of the experience of the industry under trade agreements negotiated under the Trade Agreement Act.

THE IMMEDIATE SITUATION REGARDING "BLUE" CHEESE AT THE PRESENT TIME

Danish blue cheese is selling in the United States at prices lower than such blue cheese can be produced in the United States under conditions now existing. Danish blue cheese, one of the important competitive blue cheeses, is currently selling in the New York City market at around 42 cents per pound wholesale against going over-all prices of 52 to 55 cents per pound for United States produced blue cheese. Normally, United States produced blue cheese costs and sells for about 11 to 12 cents per pound over the wholesale price of Cheddar cheese, which now is at 40½ cents per pound on the Plymouth, Wis., Cheese Exchange basis. The difference in wholesale prices is largely the result of the difference in yield and manufacturing costs. Based on fixed milk costs and minimum manufacturing expense the United States manufacturers of blue cheese cannot compete with imported blue at 42 cents per pound. Not only have import rates been reduced substantially under trade agreements during the past 10 years, but artificial devaluation of certain foreign currencies have in effect enabled the sale of foreign-produced cheese at prices which not only nullify any import duty but actually make the rate negative.

TARIFF RATES

Under the Tariff Act of 1922 the duty on blue cheese was 5 cents per pound but not less than 25 percent ad valorem. Under the Tariff Act of 1930 the duty on blue cheese was increased to 7 cents per pound but not less than 35 percent ad valorem. Since that time, under the Trade Agreement Act the rate was changed in 1936 to 5 cents per pound but not less than 25 percent ad valorem, and very early in 1950 to 3 cents per pound but not less than 15 percent ad valorem. No report is yet available as to the results of negotiations begun in England during 1950, at which negotiations the rates for all types of cheese apparently were the subject of further reduction. Between 1930 and the present, then, rates for blue cheese have been reduced by more than 50 percent.

PRODUCTION OF BLUE CHEESE IN THE UNITED STATES

The production of blue cheese in the United States was begun on a commercial basis in the United States in the late 1930's. Commercial production was the

result of extensive research extending over several years by the United States Department of Agriculture and by experiment stations at Connecticut, Iowa, and Minnesota. The United States Department of Agriculture first reported separately United States production of blue cheese in 1943. Prior to that time blue cheese production was included in the general category "All other" cheese. Production of blue cheese since 1943 as reported by the United States Department of Agriculture is as follows:

Year	Quantity	Year	Quantity
1943	8, 036, 000	1947	10, 580, 000
1944	6, 835, 000	1948	9, 289, 000
1945	9, 828, 000	1949	8, 141, 000
1946	12, 451, 000	1950	7, 050, 000

In 1949 blue cheese was reported as being produced by 22 plants in 10 States. For the most part the plants manufacturing blue cheese are locally owned. Since approximately 10 pounds of blue cheese are made from 100 pounds of milk the total quantity of milk used for the manufacture of blue cheese in 1949 was over 80,000,000 pounds and in 1950 over 70,000,000 pounds.

UNITED STATES IMPORTS AND EXPORTS

United States exports of all cheese have been negligible in all except war or rehabilitation periods. It is unlikely that any material quantity of blue cheese is exported.

Imports of blue and Roquefort cheese (Roquefort is a blue-mold cheese now defined as being made from sheep's milk) for the period 1938 to 1950 were as follows:

Year	Blue	Roquefort	Year	Blue	Roquefort
	1,000 pounds	*1,000 pounds*		*1,000 pounds*	*1,000 pounds*
1938	3, 377	2, 394	1945	17	(1)
1939	3, 264	2, 974	1946	1	297
1940	1, 650	584	1947	1	408
1941	1, 695	0	1948	977	852
1942	291	0	1949	1, 301	1, 394
1943	618	0	1950	3, 492	1, 641
1944	290	0			

[1] Less than 500 pounds.

Imports of blue and Roquefort cheeses prewar were around 6,000,000 pounds. During the war imports were very low due to obvious reasons. Such reductions during the war certainly were not because of high import rates and the slight recovery after the war was undoubtedly more largely the result of reduced milk production in the exporting countries than prohibitive import rates. Since the war, however, imports have increased rapidly and in 1950 again approximated the prewar level. Under present import conditions there is every reason to expect that imports of blue cheese will continue to increase.

CURRENCY DEVALUATION

For some years international exchange rates have been determined by arbitrary governmental policy. In the latter part of 1949 a number of countries devalued their currencies. Such devaluation for the countries from which blue cheese is commonly imported were as follows: France, 39 percent; Denmark, 30 percent; Argentina, 46 percent. No increases in import rates were made following such devaluations. In fact, the last reductions were made effective after the devaluations.

UNITED STATES SUPPORT PRICES FOR DAIRY PRODUCTS

During 1949 the United States Government under the Agricultural Act of 1948 supported the farm price of milk and butterfat by the purchase of butter and nonfat dry milk solids during most of the year and in addition by the purchase of Cheddar cheese during the latter part of the year. Purchases of these dairy products were at a level designed to maintain producer prices for milk and butterfat at not less than 90 percent of parity, as calculated under the 1948 act. Under

that purchase program the United States purchased over 100,000,000 pounds of butter, 25,000,000 pounds of cheese, and about one-half the United States production of nonfat dry milk solids or more than 300,000,000 pounds.

Following the passage of the Agricultural Act of 1949 the United States Government in December 1949 announced a new milk and butterfat support program for the period January 1, 1950, to March 31, 1951. Under that program support or purchase prices were announced for butter, Cheddar cheese, evaporated milk, and nonfat dry milk solids at levels comparable to or approximating those in effect during 1949. Those levels were intended to result in producer prices for milk for manufacturing purposes approximating 80 percent of the parity price, as calculated under the 1949 act.

The support prices, as announced in 1949 and 1950, were for the purpose of supporting producer returns for milk and butterfat. While the method of support was through the offer to purchase butter, Cheddar cheese, evaporated milk and nonfat dry milk solids, yet through these offers and purchases the price for milk for all uses was supported regardless of product. Effective support, for example, extended to such other products as dry whole milk, condensed milk, fluid milk and cream, and to all varieties of cheese including such varieties as Swiss, brick, Muenster, Limburger, blue, cream, the Italian types, the Holland types, and all others produced in the United States.

This result comes about by reason of the fact that milk in various uses is interchangeable, that plants for the production of various products are frequently located in the same area and producers are able to sell to operators making different end products. For these reasons, the prices of milk for use in the various end products are closely related at any one time.

This all sums up to the fact that the manufacturers of blue cheese in the United States in order to maintain supplies must pay competitive prices or the milk will be shifted for use in other dairy products. Such competitive prices will be at least those resulting from the support or purchase prices for butter, Cheddar cheese, nonfat dry milk, and the like.

TESTIMONY BEFORE THE COMMITTEE FOR RECIPROCITY INFORMATION

In 1947, 1948, and again in 1950 the National Cheese Institute appeared before the Committee for Reciprocity Information in opposition to rate reductions for the various types of cheese and in opposition to the binding of such rates against increase. In those presentations, the facts above stated, to the extent such facts were then available, were set forth. In spite of these appearances and objections reductions were made in import rates following the 1947 and 1948 hearings and now seem to be in process of negotiation following the 1950 hearings.

The statements made herein with reference to blue cheese apply equally to the Holland-type cheeses, Edam and Gouda, and to the Italian-type cheeses. Blue has been used throughout as illustrative of the general situation.

Respectfully submitted.

E. W. GAUMNITZ, *Executive Secretary.*

The CHAIRMAN. Mr. Richard R. Wood, representing the Friends Committee on National Legislation, has submitted a statement and has asked that it go into the record in lieu of a personal appearance. Also we have received a statement of the Americans for Democratic Action. They will be entered at this point.

(The statements referred to follows:)

STATEMENT OF RICHARD R. WOOD FOR THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION

My name is Richard R. Wood. I live in Cinnaminson Township, Burlington County, N. J. I am editor of the Friend, the oldest of the periodicals published on behalf of the Religious Society of Friends—Quakers. I am a member of the executive committee of Friends Committee on National Legislation and am speaking on behalf of that committee to support extension of the reciprocal trade law through the passage of H. R. 1612. I am submitting my statement in writing because I was present in the finance committee on March 1 and was among those who had not been heard when the committee had to adjourn.

Friends Committee on National Legislation supports the reciprocal trade program because we believe the program to be an essential element in an adequate peace policy.

THE RECIPROCAL TRADE PROGRAM AND PEACE

Nations have needs. Even our own country, richly blessed by nature, needs certain commodities that we cannot produce ourselves. Other nations have to import even such necessities as food and fuel. The sense of vulnerability that comes when essentials like food and fuel may become unobtainable because of some new tariff restriction which hinders the sale of the goods and services offered in exchange for these essentials, appears to have been one of the contributing factors to what has been called aggressive imperialism. By reducing such obstacles to the sale of goods and services, the reciprocal trade program has reduced the incentive of nations to feel that in the last analysis they may have to take what they need by force. The program is potentially able to do much more than it has yet done in this direction. For this reason, we regard it as an essential of a well-rounded peace policy.

We believe, for this reason, that the Reciprocal Trade Act should be extended without hampering amendments.

In particular, we hope that the peril-point amendment will be defeated. The peril-point amendment would, in our judgment, reduce the effectiveness of the trade-agreement program as a foundation of peace by keeping alive the dread specter of a sudden closing of markets for their products on which some nations may be relying as a means of purchasing essential commodities. This reduction of the sure confidence of being able to get what they need by the processes of peaceful trade would go far toward nullifying one of the main purposes of the program.

The amendment excluding iron-curtain countries from the benefits of the program also seems to us unwise and bad for the long-run interests of the United States. Eventually, trade will have to be the solvent that dissolves the present tension between east and west; we fear that such an amendment will turn out to be an obstacle which may prevent the United States from grasping an opportunity to improve the situation. Further, we think it bad policy to adopt such an amendment and thereby drive the so-called satellite countries closer and closer to Russia by making it clear that they cannot hope to trade elsewhere. This amendment seems to us short-sighted and likely to frustrate the best hope of finding a way out of the present dangers.

We urge extension of the Reciprocal Trade Act because it is particularly timely for the United States to make such a contribution to peace just now. The world situation seems very threatening. We hope we are promoting peace and order in the long run, but some nations are not sure. Even some of the nations whom we particularly wish to be our wholehearted associates are not sure. There is disturbing evidence to suggest that a good many people in Europe are wondering whether the United States is so preoccupied with preparing to win a possible war that it is missing opportunities to do something about preventing that war.

It seems that the great constructive purposes of the United States have not been clearly defined and adequately set forth. As a result, our country's purposes are suspect. The people of Asia, longing for tranquillity and enough to eat, are promised these by Russian propaganda. We cannot win their hearts and minds by attacking what the Russians promise. We can more surely win the hearts and minds of Asia by carrying out a policy that really does conduce to the welfare of all peoples. Many Americans believe that present conditions make it necessary for this country to proceed with a great defense program. We can help mightily to convince others, particularly in Asia, that that really is a defense program, and not a war program, if at the same time, we extend and carry on a constructive program for mutual and general advantage, which the reciprocal trade program is. The peoples want peace; the Russians promise peace; through the reciprocal trade program the United States does the deeds of peace.

In France and even in England, there are likewise doubts as to whether the actualities of United States policy really tend to serve the cause of peace. The rearmament of Germany, whose aggressive militarism helped largely to cause two world wars within the lifetimes of all of you, may be judged by our generals to be expedient but it comes with a shock, that naturally dampens their enthusiasm, to the neighbors and recent victims of that German militarism whom the process of "denazification" has brought to positions of responsibility in a Germany that they hope to make a peaceful as well as a peace-loving member of the family of nations.

We may judge that our present policy is necessary. We are all too ready to give us the benefit of the doubt. We need to convince our friends and our not-quite-convinced associates of the constructiveness of our purpose.

For the United States to proceed now, in the normal way, despite the anxiety and tension of the present world situation, to renew and extend the Reciprocal Trade Program, would be definite and eloquent evidence that we desire peace and are active to develop the conditions of peace. To fail to extend the reciprocal trade program, on the other hand, would be that much ground for doubt as to our basic intention and that much added handicap in our efforts to win the minds and hearts of other peoples in the great struggle to establish and preserve freedom and peace.

Furthermore, uncertain though it is, who can say that such a demonstration of the devotion of this country to establishing the basic conditions of peace might not help relax the tensions between this country and Russia, our chief present problem?

At least the demonstration could do no harm, either to our record or our position. It would help us build positions of intellectual and moral strength—needed supplements to the positions of strength about which we have been so deeply concerned.

There are two other points to which I wish to refer, the value of the reciprocal trade program as a bulwark of what is called "the American way" of free enterprise and the value of the program to the economic welfare of the United States. I will mention them only briefly, as they have been very generally discussed.

THE RECIPROCAL TRADE PROGRAM AND "THE AMERICAN WAY"

We speak of "the American way" and of free enterprise. The reciprocal trade program is one expression of the American way, one strong safeguard against encroaching statism, against the state control of economic life which is the chief characteristic of the tyrannies against which we would help defend the world. The alternative is increasing control, through tariffs, quotas, and restricting bilateral bargains until trade becomes a mere tool of diplomacy and the state—whether it be called communist, state-socialist, or some other name—becomes the unchecked and uncheckable tyrant.

THE RECIPROCAL TRADE PROGRAM AND AMERICAN WELFARE

The reciprocal trade program, by aiding would-be customers to increase their purchasing power, increases the markets for American farms and factories and so benefits us as well as others. It is a genuine example of a mutually satisfactory policy.

CONCLUSION

The reenactment of the reciprocal trade program is therefore recommended as a contribution to American prosperity and a support to the system of free enterprise which we prefer to any form of statism. It is even more strongly recommended as a necessary contribution to the basic conditions of peace and as evidence, particularly important at this moment in our struggle to win men's minds and hearts, that the desires and policies of the United States are positively and effectively directed toward peace.

Thank you.

AMERICANS FOR DEMOCRATIC ACTION,
Washington 6, D. C., March 6, 1951.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR GEORGE: The Americans for Democratic Action, in convention on February 24, 1951, adopted the following policy statement in regard to the extension of the Reciprocal Trade Act: "International trade must be expanded by providing easier access to all markets. The United States must reduce tariffs and avoid all forms of quotas. We strongly support the extension of the reciprocal trade agreements program without the attachment of crippling restrictions. We oppose legislation which would deprive the Government of the power to deal with East-West trade in such manner as, in changing times, best suits American national interests."

With specific reference to the House-passed bill which is presently before your committee, I would like to state ADA's views. The ADA believes that—

(1) The peril point provision will tie the hands of American negotiators to a degree unjustified by facts. It would limit Tariff Commission participation in

negotiations while at the same time requiring this Commission to make guaranties which require prior knowledge of situations which might develop at some future time.

(2) The escape clause provision establishes criteria, arbitary and mandatory in nature, which must be followed by the Tariff Commission, rather than the criteria which the Commission has developed over the years. This, too, would limit the scope of United States negotiations without providing real protection to either American consumers or industry.

(3) The anti-iron-curtain agreements provision, while having very little economic effect on trade, would require virtual repudiation by this country of long-standing agreements with some of the countries in the Soviet bloc. Such action on the part of this country would serve only to add grist to the Communist propaganda mill.

(4) The agricultural commodities provision could very well end further development of United States international trade. This amendment would isolate us from those agricultural nations who need our machinery.

Taken in total these amendments are a great step backward in this Nation's efforts to build up good will and the exchange of goods, ideas, and friendship with the rest of the world.

The Americans for Democratic Action hope that your committee and the Senate will not allow these special-interest amendments to hinder the battle America is engaged in against Communist imperialism. The international trade policy of this country is an important factor along with our military, economic aid, and moral efforts in uniting and building a strong free world.

Very truly yours,

JOHN GUNTHER,
Legislative Representative.

P. S.—Please include this letter in the record of the hearings on this question so that the other members of your committee and the Senate may know of our views.

The CHAIRMAN. I believe we will have to recess until 10 o'clock tomorrow morning. We will recess at this time.

(Whereupon, at 12:20 p. m., the committee adjourned, to reconvene on Wednesday, March 7, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

WEDNESDAY, MARCH 7, 1951

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

The committee met, pursuant to adjournment, at 10:05 a. m., in room 312, Senate Office Building, Senator Robert S. Kerr, presiding.

Present: Senators Kerr, Hoey, Millikin, and Taft.

Also present: Mrs. Elizabeth B. Springer, chief clerk, and Serge Benson, minority professional staff member.

Senator KERR. The committee will come to order, please.

Mr. Mittenthal is our first witness. Come around, Mr. Mittenthal, and give your name to the reporter, and you may be seated.

STATEMENT OF ABRAHAM MITTENTHAL, DIRECTOR, NATIONAL AUTHORITY FOR THE LADIES' HANDBAG INDUSTRY

Mr. MITTENTHAL. My name is Abraham Mittenthal.

Shall I proceed?

Senator KERR. Yes.

Mr. MITTENTHAL. Mr. Chairman and gentlemen of the committee, I am one of the directors of the National Authority for the Ladies' Handbag Industry, a national trade association comprising 250 manufacturers of ladies' handbags with factories located in 20 different States. They manufacture approximately 70 percent of the total production of handbags in the United States.

The handbag industry in the United States is a comparatively small industry. For the most part it is made up of units employing from 29 to 100 workers. Only a very limited number employ more than 100 workers.

The handbag industry is an excellent example of free enterprise in our country. Fully 50 percent of the manufacturers in the industry today come from the ranks of the workers. In the handbag industry it is only a short step, employee to employer. There are approximately 750 manufacturers of handbags in the United States; the industry employs approximately 20,000 workers.

In addition another 20,000 workers are employed in factories and mills that supply the handbag industry with the materials they require to make handbags.

The two chief elements that make up the cost of a handbag are materials and labor. In the average handbags they account for approximately 65 percent of the total cost of the handbag. Within the past 8 months the price of every material used in the making of hand-

bags has increased from 25 to 100 percent. Here are some of the increases in the prices of materials:

Metal frames and other metal closing devices by 25 to 50 percent; craft paper, 8½ to 16½ cents a pound; board, $82 to $130 a ton; boxes, $49 a thousand to $58; tissue, $8.50 a bundle; cement, 55 cents a gallon to 95 cents; chains, 30 percent; purse frames, 25 percent; cartons, 125 percent; latex, $12 a can to $15.50; leathers, 25 percent.

During the past 2 years labor costs have increased by 25 percent. In addition, the workers now receive paid holidays, paid vacations, social-security benefits, hospitalization, life insurance, liability insurance, and other welfare benefits, all of which have added greatly to labor costs. The wage increases paid to the workers in the United States have not increased their total yearly earnings for the reason that where formerly the average worker in a handbag factory worked from 48 to 52 weeks a year, during the past 2 years the average worker has worked only 36 to 40 weeks in a year. The average-weekly earnings of all workers in the handbag industry during the year 1949 was $50.99 a week, according to the New York State Labor Department statistics. Wage increases granted since the year 1949 we estimate will increase average weekly earnings to $56 a week. Compare this with the average weekly earnings in factories making handbags in foreign countries: England, $24; France, $16; Germany, $21; Italy, $34; Argentina, $16; Cuba, $14; for a workweek of 48 hours, whereas the workers in most factories in the United States have a workweek of 37½ hours.

In the year 1938 when the United States began the first round of trade agreement negotiations the handbag industry urged that there be no reductions in the tariff rates from 35 percent in effect at the time. Again in the year 1939, despite our pleas, in a trade agreement with the United Kingdom the tariff rate on handbags was reduced from 35 percent to 25 percent. In the year 1941 in the trade agreement made with Argentina the tariff rate on handbags made of reptile leathers was reduced to 17½ percent. In the year 1949, in the conference held in Geneva, the tariff rate on handbags made of leathers other than reptiles was reduced to 20 percent. In addition a preferential duty made with Cuba reduced the tariff 14 percent on handbags made of reptile leathers.

During the war years the countries in Europe that normally exported handbags to the United States were not in a position to take advantage of these reductions in the tariff rates. The only countries that took advantage of the reductions were Argentina and Cuba, both of whom received preferential rates on handbags made of reptile leathers. Most European countries are back to their prewar production, with many newly established factories fostered and supported by their governments, and assisted by United States aid.

The handbags from these countries are now being shipped to the United States in greatly increased quantities, and at prices that are impossible for the goods in question to be duplicated in the United States.

Until the year 1941 there were only a few wholesalers in the United States who imported handbags. Now there are at least 14 wholesalers, some of whom formerly were manufacturers of handbags in the United States and who discontinued manufacturing and are now importers of handbags exclusively. In addition, many of the large re-

tailers throughout the United States import large quantities of handbags.

In former years these large retailers began placing their handbag orders with American manufacturers during the months of November and December for spring delivery, and during the months of June and July for fall deliveries.

These retailers now wait until January to place their orders for the spring season and until August to place their orders for the fall season.

The reasons are they must wait until they receive their deliveries of imported bags before they know how much money they will have left to spend for their domestic purchases, and what styles and materials they will be open to buy. This results in shorter seasons for our manufacturers and longer periods of unemployment for the workers.

During the past 3 years the volume of sales of handbags in the United States declined from $200,000,000 in the year 1946 to $126,000,000 in the year 1950. If present conditions in the industry continue throughout the year 1951, the sales volume may not reach more than $100,000,000.

Profits for the manufacturers show a scant margin during the past 2 years. An increase of imports into this market is certain to wipe out whatever little profit still remains for the manufacturers and the industry in the United States.

Exponents of the continuance of the reciprocal trade agreements argue that such action will help sustain foreign demand for United States merchandise and other equipment, but if that must be done through dislocation and destruction of other domestic industries, it is not serving its purpose. Producers of handbags see no reason why they should be sacrificed for the sake of heavy equipment, appliances, or other durables. Reciprocal trade was meant to be fair and it was never intended that the United States should subsidize foreign manufacturers to the extent that their products would undersell our manufacturers and deprive our workers of an opportunity to earn a livelihood working in the industry.

Senator MILLIKIN. Mr. Witness, that certainly was the explained intent at the time the act was originally passed, but past hearings here have shown there is quite a strong opinion among the promoters of the act that it is perfectly legitimate to wipe out what they judge are uneconomic industries in order to benefit exportation of what they consider to be sound industries.

Mr. MITTENTHAL. The 40,000 workers employed in the industry and who supply the industry do not feel that way, and neither do the manufacturers.

Senator MILLIKIN. I quite agree with you.

Mr. MITTENTHAL. It may be desirable to develop the friendship of the peoples of foreign countries, but how can that benefit our country if we lose the loyalty of the workers in our own country, when they cannot find employment in an industry in which they have spent all or a greater part of their lives, knowing that the workers in some country are depriving them of the means of earning their livelihood.

We are heartily in accord with the statement made by the Honorable Katharine St. George in an address in the House of Representatives. Mrs. St. George requested that the Reciprocal Trade Agreements

Act of 1934 be not extended and that in its place there be established the principle of flexible import fees. The reasons given, and I am quoting Mrs. St. George, are:

A healthy national economy is necessary to a strong national defense;

And good wages and full employment form the foundation of a healthy economy;

And the free-trade importation of products of countries where workers are paid much less than workers producing comparable goods in the United States can only result in increasing unemployment here and a weakening of our economy and our potential for national defense;

That the so-called reciprocal trade-agreements program has removed protection from our workers and investors against the unfair competition of the low-paid workers of other countries, thereby threatening positions of workers in industries important to the national welfare;

And as a result of the reduction of tariffs and import fees incident to the passage of the Trade Agreements Act of 1934 as extended, grave injury has already been inflicted on various industries in this country;

That imports into our country should be controlled by the imposition of import fees which would reflect the difference in our workers' wage standard and standard of living to those standards in other countries.

The handbag producers in the United States do not ask special favors. They believe in free enterprise and free competition, and the industry practices these principles vigorously. We see no reason whatsoever why our economic existence, the livelihood of thousands of workers, of tanners, of suppliers to the handbag industry should be threatened by completely inequitable competition from foreign countries.

Senator MILLIKIN. Mr. Chairman. I would like to ask the witness whether he approves of the bill that came to us from the House.

Mr. MITTENTHAL. Do I approve of the bill?

Senator MILLIKIN. Yes.

Mr. MITTENTHAL. I am afraid, Senator, I do not know the exact wording of the bill to say "Yes" or "No." It is for the discontinuance of the reciprocal trade agreement?

Senator MILLIKIN. No. It continues the trade agreements system, but we would have a peril point provision in it, an escape clause provision in it, a provision in it regarding restriction of imports of certain farm commodities when the markets are below the support price; and it contains prohibition against accepting imports from iron curtain country nations.

Mr. MITTENTHAL. Well, we are absolutely opposed to the continuance of the reciprocal trade agreements that were inaugurated in 1934 and continued up to the present time.

Senator KERR. You probably support the amendments but oppose the bill?

Mr. MITTENTHAL. Yes.

Senator TAFT. Have you been given notice of further reductions in this Torquay Conference? Is that the reason for your appearance before the Committee on Reciprocity Information?

Mr. MITTENTHAL. No; we do not know what has taken place up to the present time.

Senator TAFT. I mean, there are handbags in the list that they suggest that might decrease further?

Mr. MITTENTHAL. That is right.

Senator TAFT. And the decrease now is 50 percent—35 percent to 17½ percent?

Mr. MITTENTHAL. Thirty-five to twenty on leather bags, and from 35 to 17½ on handbags made of reptiles, and to 14 percent on handbags made in Cuba.

Senator TAFT. Would restoration of the 35 percent be sufficient to protect the industry?

Mr. MITTENTHAL. It would be very helpful. We would be very satisfied with that.

Senator TAFT. Even with that there would still be considerable importation of all sorts of fancy bags, would there not, of different kinds and styles?

Mr. MITTENTHAL. That is true. We have one manufacturer in the United States who has a handbag factory in Grenoble, France, and one in Paris, France, in which he employs 200 persons in Grenoble and I do not know how many in Paris. He also has a small factory here in the United States, and he is the largest importer of handbags into the United States. They are of French descent, and one brother operates the factories in Paris and two brothers operate the factory here, and they sell very largely throughout our country their products made in France. And we do know—well, I cannot say that knowingly—I cannot say exactly what percentage of difference in prices there is between the goods sold in Paris and the goods sold in the United States, but there is some reason, we know some good reason, that he can afford to sell them for less in the United States.

Senator MILLIKIN. I suggest to you as far as the American tourists in France are concerned they sell for no less than they do here.

Mr. MITTENTHAL. No.

Senator TAFT. He said they sell for more.

Mr. MITTENTHAL. They sell for more, that is true, but our tourists do not pay duty on anything they bring in from France on leather goods.

Senator TAFT. Would you rather have the tariff raised to 35 percent or would you rather have the excise tax taken off?

Mr. MITTENTHAL. We would rather have both. You were very kind to us in the excise tax, and we got further than any other industry, and we were up to the last hurdle when this Korean War stopped it.

Senator KERR. All right, Mr. Mittenthal, we thank you.

Mr. MITTENTHAL. Thank you.

Senator KERR. Mr. Morris Rosenthal. Identify yourself, Mr. Rosenthal, and you may proceed.

STATEMENT OF MORRIS S. ROSENTHAL, REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY BEN MAKELA, RESEARCH ASSISTANT OF THE FOREIGN COMMERCE DEPARTMENT COMMITTEE OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. ROSENTHAL. My name is Morris S. Rosenthal. I am president of Stein, Hall & Co., Inc., New York City. We are manufacturers and importers of raw materials that go to many different industries.

I appear before you today as a representative of the Chamber of Commerce of the United States to urge strongly that the present

Trade Agreements Act be extended. I am accompanied by Mr. Ben Makela, who is research assistant of the foreign commerce department committee of the Chamber of Commerce of the United States.

Senator KERR. What is your position in the United States Chamber of Commerce?

Mr. ROSENTHAL. I am a member of the foreign commerce department committee and also of its policy committee. At the end of this statement there is attached a brief description of the Chamber of Commerce.

Senator KERR. Are you speaking for yourself or for the Chamber of Commerce?

Mr. ROSENTHAL. With regard to the act itself I am speaking for the chamber. As the chamber has not had the opportunity of considering the amendments to H. R. 1612, I will then be speaking for myself.

Senator KERR. All right, Mr. Rosenthal.

Mr. ROSENTHAL. The Chamber of Commerce has supported the principle of the trade agreements program since 1933. On May 5, 1933, the national chamber adopted a policy favoring action by our Government in initiating reciprocal trade agreements with foreign countries, where such bargaining would be clearly in the public interest, keeping in mind the need for assuring stability in industry and agriculture through reasonable protection. This statement was reaffirmed by the chamber membership in 1934.

The chamber has renewed its support of the Trade Agreements Act as regular intervals since 1934. At the last annual meeting of the national chamber in May of 1950, the members adopted this statement of policy:

> The policv of the Trade Agreements Act should be continued. This policy gives adequate authority for the Government, through its established agencies of negotiation and administration, to reach effective agreements for the reciprocal and selective adjustment of tariffs and other barriers to trade, including quota restrictions and other obstacles to the reasonable flow of goods and services.
>
> There should be appropriate safeguards in legislative provisions for ample public notice and open hearings, and clauses in the agreements providing, in case of unforeseen developments, for the modification or withdrawal of concessions, in order to prevent serious injury to domestic producers. Neither in the original form nor in practical application by reason of events that were not contemplated should agreements be permitted to cause destructive competition in American agriculture or industry.

Senator MILLIKIN. Do you say it is all right to have destructive competition if the injury was foreseen?

Mr. ROSENTHAL. No, sir.

Senator MILLIKIN. As far as you are concerned then that unforeseen element in all of these escape-clause and other formulas could be dispensed with?

Mr. ROSENTHAL. Those words could be eliminated.

Senator MILLIKIN. Thank you.

Mr. ROSENTHAL. The policy which I have just read to you has been in force, in its present form, since 1943, when it was adopted by vote of the membership. Under Chamber by-laws this policy had to be considered for renewal in 1946. At that time it was submitted to the membership by referendum. The vote was overwhelmingly in favor of continued support.

The great effect which multilateral tariff negotiations could have on our own economy, and on world commerce, has been a subject of particular interest to the National Chamber. Prior to renewal of the policy last year, the entire question of trade agreements was again examined thoroughly. The Foreign Commerce Department Committee recommended that the policy be continued. This recommendation was concurred in by the board of directors. Afterward, it was studied by the policy committee. That group recommended that the policy be renewed again without change, and this recommendation was approved at our annual meeting.

I have gone into the question of Chamber policy at some length because I think it important to emphasize that our continued support of the Trade Agreements Act is based on careful and mature consideration by businessmen representing diverse economic and geographic interests.

On several occasions, representatives of the National Chamber have appeared before congressional committees on the subject of trade agreements. Three years ago, on May 5, 1948, Earl O. Shreve, then president of the Chamber of Commerce, appeared before a subcommittee of the House Ways and Means Committee to urge renewal of the Trade Agreements Act. In June of that year, Clem D. Johnston, a director of the National Chamber, took the same position before this committee. A few weeks ago, on January 24, 1951, I appeared before the House Ways and Means Committee in support of the bill originally introduced in the Eighty-second Congress to extend the Trade Agreements Act. At other times, statements urging continuation of the act have been filed by the National Chamber.

Our support of the program is based on the practical realities of today and on the hope for tomorrow. In the present troubled times we must wage the campaign for peace on the economic front as well as on other fronts. We have, under the authority of the Trade Agreements Act, the opportunity to cement the economic and political ties of the free countries of the world. There can be no true world peace without world prosperity. That prosperity cannot be attained without expanded and unhampered international trade. The trade agreements program is among the effective tools that we have to attack the present barriers to world trade.

Senator TAFT. You present an argument there—at least I assume that you are saying that this program is likely to prevent war. That has been said over and over again, and yet can you show any way in which trade has produced any of these destructive wars, that had to do with the First World War or the Second World War or the Korean War? What evidence is there that free trade tends to peace more than any other kind of trade?

Mr. ROSENTHAL. Not free trade.

Senator TAFT. "Unhampered international trade." That sounds like free trade to me.

Mr. ROSENTHAL. Yes, but I——

Senator TAFT. You say we must have prosperity to have peace and must have unhampered international trade to have prosperity, and I do not quite see it. I mean I hear that argument, but the First World War started because the Kaiser of Germany was never restricted. They were one of the most prosperous countries in the world. Hitler did not need—he was making tremendous economic

progress when he started this war. He was not hemmed in by any restrictions I know of. Germany was operating at a high rate of speed. They had all sorts of bilateral agreements and were expanding their trade.

Today certainly Russia is not hampered by lack of trade. The trouble in the world today has nothing whatever to do with free trade. I just do not see the argument. I do not see any evidence that more expanded trade—and it is only a matter of degree, after all, because there is always a good deal of trade—I do not see any evidence that poor countries in the world are starting the war. China and India have been poverty stricken for years and have not been aggressive forces, they have not started any wars. Yet they have had just as poor and low a standard of living as anybody.

Mr. ROSENTHAL. I do not think the Reciprocal Trade Agreements Act is a cure-all for the political and economic troubles of the world, Senator, and I would not want to be interpreted as thinking that. I think there are a great many factors that contribute to the wars. We have had two of them in your and my lifetime. But I do think, on the other hand, that one of the factors of necessity that enters into the relations of countries of the world is the exchange of goods among the different peoples of the world in the hope that the standard of living gradually rises throughout the world. I do not think that is the only factor. I think it would be very difficult to say that any one factor in all that we would do would be to produce peace. On the other hand, I do think that an increase in the exchange of goods is an element in the situation which is worthy of our making an attempt. Beyond that I do not think anyone can make a prediction or voice a policy.

Senator TAFT. But this argument is repeated and repeated by one person and another, and I just cannot see or think of any basis for it. I do not see any evidence that low standards of living in countries in the last 200 years or so have ever started a war. There have been times, perhaps, when somebody like the Mongols, held down, started out for more fertile fields. There has been kind of a competition for colonies. But they never started any war that I know of.

Mr. ROSENTHAL. Well, I wonder if to some extent, in part, wars have not come about due to economic dislocations and the economic ambitions of peoples.

Senator TAFT. I do not say they have not in the past, but I say the way this world is today they have started by aggressive dictatorships who started regardless of what the trade is and who started because they wanted to conquer the world—because they have a power complex, not because they want more trade or because they want to raise the standard of living of their people. I do not see any argument there.

Of course, you have a fight. I know the economic interpretations of history go back, and that is one of the points of view. But as far as the actual kind of war we are up against today and have been for certainly the last 50 years, I just do not see what this free trade has to do with it. I do not see why economic competition makes war more likely.

Mr. ROSENTHAL. Well, I wonder if economic conditions—and this, after all, a philosophic discussion of history——

Senator TAFT. Sure, but here is the United States Chamber of Commerce advancing this theory again, that is all. I just thought I would question whether there is anything in it.

Mr. ROSENTHAL. I think we have felt that economic conditions are one of the factors that influence the relationships of peoples of the world, and that the Trade Agreements Act is at least one mechanism that we can employ in the hope of helping toward a greater production and exchange of goods, and thereby perhaps alleviating some of the economic tensions that exist.

Senator TAFT. I do not say it is not wise to do it. I mean I do not say we ought not to promote trade, but I do not see this argument that it is going to prevent war under present world conditions.

Mr. ROSENTHAL. I do not think by itself it would prevent war. I am not sure that any of us can say just how we would. I can simply say that this is one of the sound mechanisms that we can use in our relations with other countries of the world.

Senator KERR. All right, Mr. Rosenthal, I assure you it is a matter of opinion, and I assure you that you are entitled to yours, and I assure you as far as I am concerned I agree with it.

Senator MILLIKIN. I would like to remind you that the only 100 years of peace, relative peace, that we have had in modern times was during the leadership of the world of Great Britain and when we did not have the reciprocal trade system.

Mr. ROSENTHAL. Senator, I do not think that is entirely an answer.

Senator MILLIKIN. No; I do not think it is entirely an answer. I am just bringing that in to contrast with the thought that reciprocal trade might have an influence on bringing peace. Since we have had reciprocal trade we have had two World Wars, so I am just contrasting that against the fact that without reciprocal trade we have had 100 years of peace.

Senator KERR. I would remind my good friend that the First World War predated reciprocal trade.

Senator MILLIKIN. I will accept the correction. I should say we have had two wars since, one known as World War II and one known as police action in Korea, which reciprocal trade has not stopped or prevented.

Mr. ROSENTHAL. It is not a cure-all, Senator.

Senator KERR. All right, now that is settled, go ahead.

Mr. ROSENTHAL. It is, unfortunately, true that there are, today, many evidences of trade restrictionism—both here and abroad. We have been through, in the past 20 years, the most trying times in modern world history. We have no way of knowing how much greater the trade restrictions might have been without the multilateral tariff negotiations already conducted. We must not err in assuming that this program, alone, can bring about world peace and prosperity, and we must not lay the blame for the present restrictions on the doorstep of the Trade Agreements Act. Instead, we must recognize that the program is a logical mechanism for reducing the excessively high tariffs and some of the other barriers which operate so effectively to strangle world trade.

Senator MILLIKIN. It has not worked, has it?

Mr. ROSENTHAL. Not as well as I would have liked to have seen it. I cannot introduce statistical evidence, Senator, but I think it is a sound philosophy and program, and I think we must make every effort along all fronts to curb the spread of international hostilities. I just think this is one thing that ties in with a sound program.

Senator MILLIKIN. Let's assume it is a sound program. That brings us next into the administration of the program. That is a horse of a different color, is it not?

Mr. ROSENTHAL. Yes, sir; that would bring us into that next.

Senator MILLIKIN. Yes. And during the time of the administration of the program, all of these restrictions to which you have referred have proliferated, tariff preferences, bilateral agreements, import and export quotas, monetary licenses, and so forth and so on; is that not correct?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. So that coming to the end point it cannot be said that the reciprocal trade system either under its philosophy or under its practices under the law has served to prevent these things which I have just mentioned.

Mr. ROSENTHAL. If we go a step further, Senator, I do not think that any of the efforts made by us or any other countries on any of the fronts have been successful. I think that is obvious.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. And I think that now we must direct ourselves, as we have been trying to, to those things which we think have some hope of giving us the results that we want. And I think this, as I said before, is one of the logical mechanisms to employ in that attempt.

Senator MILLIKIN. That comes back—let's assume it is a logical mechanism.

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. Giving the word "mechanism" its proper meaning.

Mr. ROSENTHAL. Correct.

. Senator MILLIKIN. That begs the question as to the administration of the mechanism, does it not?

Mr. ROSENTHAL. Yes, that does not go into that question.

Senator MILLIKIN. You are not here to throw your hat in the air over the administration of the mechanism, are you?

Mr. ROSENTHAL. On the whole, from all that I have read over the last 17 years of what has been done under the Trade Agreements Act, Senator, I have been of the opinion that by and large the executive branch of Government, the agencies that have had to do with it, have done a good job.

Senator TAFT. Is not this generally true—that we have had a very prosperous United States since 1941, or 1940, really? During that time we have had in effect for all practical purposes prohibitive tariffs because of the war. Nobody has been able to ship stuff here. They have not been able to make it. In effect, we have had 100-percent protection, almost, as I say, a prohibitive tariff, during that period, and we have been very prosperous. On the other hand we have had the reciprocal trade agreements in the thirties and we were very badly off for a long time. I do not mean to say that was to blame for that. We cannot say that where we are today has the slightest relation to the Trade Agreements Act because it has not operated. There has not been any reduction of tariffs in practical operations because war has simply shut off imports. The people have not sent them to us or have not been willing to.

Mr. ROSENTHAL. Our economic conditions began to improve in 1934–35 and were much better than in the early thirties. That is about the time the reciprocal trade agreements came in.

Senator TAFT. Wait a moment. They were better than in the bottom of the depression, but you had another depression in 1938

and you still had 10 million people unemployed when the European war started. Your national income was still about a third of what it is today. There is not any evidence I can see that anything done in the thirties was the right thing to do from the results we secured. We have never had such a long depression before; no depression had ever lasted 10 years.

Mr. ROSENTHAL. Does it not come down to some extent, Senator, recognizing the conditions of the last 15 years and what confronts us today, to decide what economic measures as well as political and military measures the United States needs to take with two objectives: First, to assure us of adequate defense, and secondly, to try to work with other nations of the world to produce those political and economic conditions which might prevent a spread of the fighting that is now going on in the world. That is what I think our objective must be.

Senator TAFT. I do not think the economic conditions have anything to do with the spread of the fighting that I can see. My own feeling about the thing is that if the United States is going to be leader in the world and set the right moral sort of leadership, it has to be fair to other countries, has to make them feel we are not discriminating against them. That I am for, and that is justification, as far as I am concerned, for keeping tariffs at a reasonable figure and where they do have a chance to come in and compete on a reasonably fair basis. That I agree to. But I do not think it has very much effect. I think that leadership is the kind of leadership the world ought to have. We want other people to be fair, and I think that is the real reason for it. But I cannot see that up to date there is any proof whatever the Trade Agreements Act either has worked or has not worked. I mean I think we are practically as if we are starting it today because of the war operation, and since the postwar period we really have not had any operation of this system to tell us what the results have been.

Mr. ROSENTHAL. If I were to accept your statements about wanting to be fair to other nations and wanting them to be fair to us, I would still feel that the Trade Agreements Act is a mechanism that is a sound one to attempt to achieve that end.

Senator TAFT. Well, I doubt it. It does seem to me that we could do that just as well ourselves. I think there are lots of reasons why it is an unsound mechanism because it is so utterly illogical. I mean you reduce your tariffs to one country and that covers a lot of other countries that do not give us a thing. It seems to me the wholly wrong way of doing this business of getting tariffs down to a reasonable point. It may have been the only political way to do it. I can see that justification for it, but apart from that I cannot see anything in the logic of the system at all. On what theory do you reduce the tariffs to one country in return for concessions and then give the concessions away to everybody else?

Mr. ROSENTHAL. That has been something, of course, that has been discussed many times, and that comes in as part of our most-favored-nation treaty, which goes back, as I recall, to the policy enunciated by the then Secretary of State Hughes, when it was designed to protect our export interests from other countries conducting the type of bilateral arrangements with a good deal of the foreign exchange arrangements, such as Germany did throughout the period of the late twenties and thirties. And I have been under the impression—now I would not want to be asked to quote chapter and verse

on individual commodities—but by and large the conduct of our negotiations and reductions that we have made have primarily benefited the countries with which we have had the agreements, and that the benefits to the other countries which have come in under our most-favored-nation policy have received on those particular products rather minor benefits. That has been my impression of my studies over the years.

Senator TAFT. Well, you have that impression. I have the impression it has been very poorly done. I am only suggesting that I do not see any evidence one way or the other from the history of actual operation. It may be that with this war thing it still would not be very important. I certainly would be very much concerned about its operation if we suddenly have a complete era of complete peace. I think you would have such a shout go up about the destruction of American industry that has happened under this system that the whole thing would go by the board in a hurry.

Mr. ROSENTHAL. You see, Senator, I do not look upon this system necessarily as an argument against high tariffs versus low tariffs or low tariffs versus high tariffs. It is true what we have done has been to reduce our tariffs in return for other countries reducing theirs. It is perfectly possible under this system, if conditions such as you have described were to come about, we could withdraw and raise some of our tariff rates. I think we must have some mechanism whereby we can provide for economic negotiations with other countries in an attempt to increase the exchange of goods with them. I think that is basic. After that would come the administration of the system.

Senator TAFT. Well, I doubt if England, for instance, has given us anything up to date. I just do not see any benefit we have got from the British. There are a lot of promises. I know when and if the economic strain is relaxed, they will do something. We just have this example of the tin cartel. What kind of fair treatment is that, to raise the price of tin three or four times? The same thing is true—they hold control of the cocoa cartel. It has never been alleviated and is a complete monopoly on their part. They have not been fair to us that I can see in the trade field, and I do not greatly blame them because it is human nature in a way, but I cannot see that this system has worked to secure us any substantial concessions anywhere in the world.

Can you cite one thing in which the United States has gotten an advantage out of this system in its export of goods?

Mr. ROSENTHAL. There have been a number of reductions in tariff, and there have been some reductions in quotes.

Senator TAFT. Can you cite any major instance where we have been able to increase our export industry?

Mr. ROSENTHAL. You see, I do not think it is that easy, Senator, because I think there were a terrific number of other factors that enter it. There is the whole price structure in our country as well as other countries, and the available supply of materials to them as well as to us. We are living in a world that is completely dislocated. Then it comes down to what should we do in attempting to improve these conditions, which I concede are very unfortunate and very unhappy conditions. I think this is as good a mechanism as anything I can see along that front. I do not think on any front it is so easy to produce specific evidence to show what the act or lack of the act has or has not done. I think it is a step in the right direction.

Senator TAFT. The main thing they claim is by importing more goods here they give other people more dollars to buy our exports.

Mr. ROSENTHAL. Yes.

Senator TAFT. That could be obtained by a tariff commission directed to keep the tariff at some reasonable figure that would permit importation without destroying American industries. I do not see exactly what we have gained by this effort to try to get concessions from other peoples because I do not think they have given us any that I know of or can think of in particular.

Mr. ROSENTHAL. I do not think that in the last few years we could have expected much in the way of concessions when you consider what happened to the different countries of the world as a result of World War II. But it seems to me by unilateral action on all parts, the possibility of reducing tariffs as you suggested, I do not think it is as good a mechanism as an attempt to negotiate with other countries whereby they reduce theirs while we reduce ours. I think that is a mechanism that makes more sense than unilateral action on our part.

Senator TAFT. It might have if you have good traders. We have not been good traders. I cannot see where we have got anything in from these agreements.

Mr. ROSENTHAL. I do not think our national income and profits and our wages would show we have been such bad traders. I do not think American industry has any cause to complain.

Senator TAFT. I am not saying American industry is bad traders, I am saying the American State Department.

Mr. ROSENTHAL. That is exactly what I mean. I do not think that, as a result of State Department trading, American industry, labor and agriculture have really been able to introduce evidence they have been hurt as a result of bad trading. On the other hand, I think by and large it has been a good job.

Senator MILLIKIN. Oh, my goodness, Mr. Witness. Have you been following these hearings and the hearings in the House?

Mr. ROSENTHAL. I have read a good many statements in the hearings in the House; yes, sir.

Senator MILLIKIN. Do you disbelieve all the testimony to the effect there has been injury or threat of injury?

Mr. ROSENTHAL. Senator, on balance, I did not see much evidence introduced of actual injury to various industries.

Senator MILLIKIN. On balance is a great, lovely, round phrase that doesn't mean anything. These industries come in here and say they are hurt and threatened with injury, and proffer what they think is proof. You sit back and say, "Maybe yes, and on balance, maybe no." What do you mean by "on balance"?

Mr. ROSENTHAL. By on balance I mean the condition of the American economy as a whole, the capital investment in industry and agriculture, and as to people employed in American industry and agriculture. That is what I mean.

Senator MILLIKIN. But the stated purpose of this act is that no particular industry or line of production should be injured; therefore "on balance" is not the test.

Mr. ROSENTHAL. Senator, any increase in tariffs——

Senator MILLIKIN. On balance, if I may suggest the theory, leads to the notion that uneconomic industries, as judged to be uneconomic by someone in the State Department, should be liquidated.

Mr. ROSENTHAL. In the first place, it is more than the State Department because, as I understand, the committees involved in dealing with this consist of a great many more agencies than the Department of State, including Defense, Commerce, Treasury, Agriculture, the Tariff Commission. So that a great many agencies of Government participate in these decisions.

Senator MILLIKIN. But you know the negotiation is done by the State Department, do you not?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. But I think that some representatives of some of the other agencies participate in those negotiations, if I am not mistaken.

Senator MILLIKIN. How does that make it any more effective?

Mr. ROSENTHAL. I think we draw on more people from different agencies of Government to be of help. Senator, I think in a democracy we must trust to the executive branch of Government to do certain things.

Senator MILIKIN. Oh, no, no, no, no, no. Great Scott. Mr. Witness, do you not realize the trouble we are in today by doing that?

Mr. ROSENTHAL. I might venture the opinion, Senator, I do not think any of us is quite perfect, including the Members of the Congress.

Senator MILLIKIN. Let that be freely conceded, including, well, one of the gentlemen who is sitting here and talking to you and everyone in this room. But there are relative degrees of imperfection.

Mr. ROSENTHAL. That is always the case, Senator.

Senator MILLIKIN. The question now is how imperfect can we get.

Mr. ROSENTHAL. That is usually a question that the American people decide at the polls every 2 and 4 years.

Senator MILLIKIN. Ah, brother, that warms the cockles of my heart.

Senator TAFT. There is a very definite constitutional principle in this question of delegating power, and this act violates every principle of delegating power to the Executive. I mean Congress has certain obligations. That is the reason I really voted against this extension every time it has come up except once, when it was alleviated by the peril point provision—that no standard whatever is prescribed within the limits that are set in tariffs. There is no principle whatever upon which the Executive acts. The Congress simply delegates legislative power to the Executive. That, it seems to me, is opposed to our whole concept of American government. There is no standard in the act whatever.

Mr. ROSENTHAL. In the first place, the Executive is limited to a reduction of tariffs to 50 percent of the rates in force on January 1, 1945.

Senator TAFT. Which may be 25 percent of the last figure fixed by Congress.

Mr. ROSENTHAL. Yes, sir; that is correct.

Senator TAFT. It may be higher, a little bit.

Mr. ROSENTHAL. That is at least a certain limit, Senator, but I think——

Senator TAFT. Within that limit there is absolutely no standard, and that limit may be the complete question of the destruction of American industry. There is no standard whatever. In that respect

it violates every principle. I mean on your dispute as to what you give the Executive. Of course you have to give the Executive certain powers, and there are certain fields where he does have it, but here is a field in which it seems to me Congress should only delegate power if it does it under standards of some kind, and that is a defect of the act as to the most-favored-nation clause.

Mr. ROSENTHAL. You see I think there are standards, and I would go farther, Senator——

Senator TAFT. Where is the standard? There are no standards in the act. You do not maintain that, surely?

Mr. ROSENTHAL. I think the limitation of 50 percent is a standard. You might wish to go further.

Senator TAFT. That is no standard. That is no standard, if you have 25 percent of the statutory rate or 100 percent.

Mr. ROSENTHAL. Senator, I do not think in any field in the efficient workings of a democracy the legislative branch can impose such detailed standards on the executive branch as to remove all discretionary judgment.

Senator TAFT. You do not remove discretionary judgment. In fact, to comply with the law, to comply with the Constitution, you can prescribe very general standards, but you got to prescribe standards, and that this act has never done.

Mr. ROSENTHAL. If you bring up the constitutional issue—and I am not a lawyer—it was my understanding, I think, that present Supreme Court Justice Jackson, when he was, I think, Attorney General, made a statement on the constitutionality of this act, and I believe others have, too. Now that is a matter that I do not feel——

Senator TAFT. However, we passed on that ourselves, and I still fail to see how you can delegate that function, that power, to the Executive, clearly a constitutional power given to the Congress, unless you prescribe a standard under which he shall act.

Take even the vague question of railroad rates. Your standard is quite a general standard. And yet there is a standard upon which the Interstate Commerce Commission is authorized to fix rates because it is something that Congress cannot go into the detail of any more than it ought to go into the detail of tariff rates. But it does seem to me that as far as I am concerned unless this act states some kind of a standard, I cannot see any justification for us to delegate the authority.

Mr. ROSENTHAL. Well, that is a constitutional issue that I do not think I am competent to argue with you.

Senator TAFT. It is not a constitutional issue, it is a question of the principle of American Government—what is legislative shall be done by the legislature. That is not a constitutional question so much—I mean not technically as you purport it. You say you are not a constitutional lawyer. You are an American citizen and you know the division between legislative duties and executive duties. How can you maintain that the legislature can say to the Executive, "Here, take our powers and do it," unless you are going to build up a complete dictatorial government?

Mr. ROSENTHAL. I think within the framework that you now have as to the 50-percent limit of reduction, plus what else is in the original act—I do not agree with the House amendments personally, although, as I said before, the chamber of commerce——

Senator TAFT. I see later on you say you are opposed to the peril point amendment.

Mr. ROSENTHAL. Yes, sir, I am personally opposed to it.

Senator TAFT. That is, you deny there should be any standard whatever in this act. That is in essence what the peril point question is. It is the attempt to impose a standard upon which standards shall be fixed.

Mr. ROSENTHAL. There we get into what constitutes peril points for one thing, and also as to how we look at the problem of administering them.

Senator TAFT. It is a difficult problem, I agree.

Mr. ROSENTHAL. I oppose this particular amendment because I do not happen to think personally it makes sound administration. I think as we have it now, from what I have heard, I believe all Government agencies participate in this thinking in terms of what we might commonly call the peril points. I think they are very difficult to fix. I think it is perfectly possible that at times mistakes will be made, but I am sure that all of these departments of Government have that in mind when they sit down to consider what they are going to do.

Senator TAFT. Maybe they have them in mind and maybe they do not, but they are not bound to consider it by anything in the act, and that is what we want put in. We want to put in something that will make them consider it. And certainly you could hardly prescribe a more general standard than we put in this peril-point provision. That is a most general standard, and yet it is a standard, it is something the Government can be guided by.

Mr. ROSENTHAL. Well, but I disagree with it for other reasons, that particular amendment. I guess I just have a great deal of confidence in the integrity, ability, and loyalty of the members of the executive branch of Government to think in terms of what is good for the American economy.

Senator TAFT. On that basis you just say, "Turn it over to the President and let him run the Government." That is not an argument; that is an argument for dictatorship in this Government. And there is where we have moved because people like the United States Chamber of Commerce, who ought to stand up against that kind of dictatorial government, have taken the position you take in this brief. And that is the reason why today the President has three times the powers he had 50 years ago, and if it goes on he is going to have all the power.

Mr. ROSENTHAL. No, Senator, I respectfully disagree; that is not my point of view at all. My point of view is that the Congress of the United States must legislate the policies for execution by the executive branch, very definitely. I do not think that that leads to dictatorial powers at all. But in the complexity of our Government, I think when the Congress lays down the broad policies under which the Executive should operate, with its power further to change that legislation when it sees fit, the execution substantially should be trusted to the Executive in order to do a job efficiently.

Senator TAFT. There is no standard in this act. That states correctly your principle, but there is no standard in the act. There is absolutely arbitrary power to do as you please.

Mr. ROSENTHAL. The escape clause was introduced by Executive order. I happen not to agree with it the way it is worded in H. R. 1612 as amended, but I certainly think an escape clause can properly

be included in the act, and I will agree that I think it is a question of how much power the Congress wishes to delegate to the Executive.

Senator TAFT. The escape clause was not written by Congress, it was written by the Executive. It does not mean a thing if it is interpreted strictly, unless Congress writes into the act something about it and prescribes in it some standards, because it says—injury not contemplated when you started.

Mr. ROSENTHAL. Yes.

Senator TAFT. We assume certainly they are not going to admit for a moment they contemplated the injury, so it is practically of no value.

Mr. ROSENTHAL. But I do not think they would contemplate an injury to the American economy, Senator.

Senator MILLIKIN. Mr. Witness, we have had reams of testimony here that they built this reciprocal trade structure on calculated risk—reams of testimony to that effect.

Mr. ROSENTHAL. To some extent, Senator, when it comes down to human judgment, I think in almost all phases we deal with risks. I think the Congress does that when it passes legislation as well.

Senator MILLIKIN. Let us assume that that is true. Let us assume that is true. There is a vast difference between building a program on calculated risk on the one hand and calculated safeguarding on the other.

Mr. ROSENTHAL. Well, it would be my impression that the executive branch of the Government thinks in both terms. I have that much confidence in them.

Senator MILLIKIN. Well, I say to you—I do not intend at this moment to bring up the whole record, but I am saying to you that our record in past hearings shows reams of testimony that so-called calculated risks have been taken, and it is to protect those calculated risks that the words "unforeseen injury" become key words in these escape clauses. That is not just empty verbiage. I have been through the fires on that. I have argued that out with the State Department when the language was being drafted. The State Department at that time would not yield 1 inch. They wanted to protect foreseen injury and wanted to limit action to unforeseen injury, and that arose out of contemplated risk policies.

Mr. ROSENTHAL. I am not here to defend the State Department, Senator. That is not my object, although I have much respect for our civil servants as a group.

Senator MILLIKIN. I think now you have made a valuable contribution in your testimony.

Mr. ROSENTHAL. Provided you take the second part of it with the first.

Senator KERR. All right, Mr. Rosenthal. Go right ahead.

Mr. ROSENTHAL. The National Chamber does not know if tariffs on every item, or even the majority of items, should be reduced from their present levels. We urge only that the trade agreements program be continued so that we can work, in cooperation with other nations, to reduce excessively high tariffs and other barriers. We do not believe that our barriers should be reduced unless other nations are equally sincere in reducing theirs.

Senator MILLIKIN. You do not want to turn it on the question of sincerity, you want to turn it on whether they do reduce it, do you not?

Mr. ROSENTHAL. If they are sincere, I think they will.

Senator MILLIKIN. It does not necessarily follow. Whether a man is sincere involves a vast complex of ethical questions, but whether something has been reduced is a mathematical fact which perhaps overrides good or bad intentions.

Mr. ROSENTHAL. All right, I will accept that.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. We do not, certainly, believe that all tariffs should be eliminated. We recognize the need for, and support, such tariffs as are necessary for the proper protection of the American economy. We support the use of such tariffs as are needed for national defense.

Senator MILLIKIN. Are you speaking now of the over-all economy, the on-balance theory, or are you speaking of specific industries?

Mr. ROSENTHAL. I think that specific industries are entitled to adequate protection, but it is my own judgment on this that we have to consider, also, the over-all economy. I do not think it possible, without setting up a complete wall, that we can import large quantities of goods if every single manufacturer or every single industry would have prohibitive tariff rates. Now that does not mean, if you please, that I believe in free trade, Senator. That is not the problem. But I think there is the problem of an attempt to arrive at sound adjustment for what we do in our domestic production, in our exports, and in our imports.

Senator MILLIKIN. Do you believe that if an industry demonstrates—let's assume it demonstrates injury or serious threat of it, a particular industry. Do you believe that the relief should be denied on over-all economy theories?

Mr. ROSENTHAL. Realizing the right of that industry to show in one form or another its essentiality, I believe that that could possibly happen.

Senator MILLIKIN. Its essentiality?

Mr. ROSENTHAL. To the American economy as a whole. But I think that the escape clause would be applied, most of the time, on the basis of granting relief to a particular industry.

Senator MILLIKIN. You would make a test. You would add the test of essentiality?

Mr. ROSENTHAL. Senator, I think somebody must make a judgment.

Senator MILLIKIN. That is another way of saying what someone concludes is nonessential may be liquidated; is that correct?

Mr. ROSENTHAL. I think it could possibly happen.

Senator MILLIKIN. And you would not regret that?

Mr. ROSENTHAL. I would regret it, but I think also that it is inevitable that there are changes in the investment of capital and the employment of people. I think the technological changes in the United States have produced far more dislocations in industry and in employment than any changes in the tariff ever have done or could do.

Senator MILLIKIN. Then you would be willing that what someone concludes is an uneconomic industry be liquidated via the mechanism that you praise?

Mr. ROSENTHAL. If I had confidence that the people were thinking terms of what our export business meant to American invested capital and to American labor, I could conceive that that might happen; yes, sir.

Senator MILLIKIN. Well, would you approve it?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. I think you have answered the crucial question of the whole examination. And would you approve the mechanism where that decision to liquidate some particular industry is in the last analysis made in secret?

Mr. ROSENTHAL. I do not know what you mean by "made in secret."

Senator MILLIKIN. Made in secret is very simple. You have an open hearing before your Committee on Reciprocity Information. When you go into that hearing you do not know the target that will be aimed at in the coming negotiations. So at that point you are operating in the dark but not in secret so far as the proceedings which are allowed are indulged in. But from that point on you do not know what the considerations are that finally lead to the particular concessions that we are willing to make. From that point on all these agencies that you are talking about commence to introduce their views on the subject, but you as a producer do not know what their views are. That is in secret. You as a producer do not know how they arrived at their final conclusions. That is in secret. You as a producer do not know what decisions they will finally make when they get on the negotiating front. That is in secret. In fact, if you went over to Torquay now and tried to express some views as a producer, they would give you the "bum's rush," would not even listen to you, would not even give you a visa to go over for that purpose. That is what I mean by being in secret.

I will give you another reminder. This committee has tried to get the minute books on which they operate so that we might determine the standards to which Senator Taft refers. That is a secret. They will not tell us that, and the Congress, this committee, has constitutional jurisdiction over the subject.

Mr. ROSENTHAL. You do not want me to enter into a situation between the Congress and the executive branch of Government, do you?

Senator MILLIKIN. I asked you a very simple question: Whether you approve of the secrecy of this program, and now you ask me whether I want you to enter into something. I just want to know whether you approve of the secrecy of it.

Mr. ROSENTHAL. I would say that if, after a combination of various agencies of the Government, within the framework of the legislation passed by the Congress, which the Congress can change from time to time, the executive branch of the Government, made up of these agencies that participate in it, come to the conclusion certain acts are wise for the benefit of the American economy, that I would accept their decision regardless of the complexion of the administration.

Senator MILLIKIN. Is that another way of saying, as far as you are concerned the part of the mechanism of this program that operates in secrecy is agreeable to you?

Mr. ROSENTHAL. Well, you see, Senator, the word "secrecy" has a certain invidious tone attached to it.

Senator MILLIKIN. Give me a synonym that will be more pleasing to you that will mean the same thing.

Mr. ROSENTHAL. No. I think a recognition that you cannot have any group of people sitting down in public in their deliberations and

allowing everybody in the wide world to listen to them thrash a subject out in order to arrive at a decision, is necessary.

Senator MILLIKIN. Do you then approve that part of this mechanism which operates in—give me a better word than secrecy, and I will use it if it means the same thing.

Mr. ROSENTHAL. Executive session, which the Congress of the United States also does.

Senator MILLIKIN. Which operates in executive session. You approve of that?

Mr. ROSENTHAL. I think it is necessary.

Senator MILLIKIN. You approve of it even though the Congress may not be able to find out the factors that led to the decision?

Mr. ROSENTHAL. I would have to know much more about that. I do not think I can quite answer a question, Senator, that comes up as to the relationships of the Congress with the Department of State. I certainly think the Congress is entitled to all the information that is necessary.

Senator MILLIKIN. Would you deny, or will anyone in this room deny, that the Congress has exclusive constitutional jurisdiction of this subject?

Mr. ROSENTHAL. No.

Senator MILLIKIN. No; you do not deny that.

Mr. ROSENTHAL. No.

Senator MILLIKIN. Therefore, when you operate in a way where you are unwilling to disclose to Congress the factors on which you operated, you are operating, if you wish to call it so, in executive session, and I say you are operating in secrecy. We both mean the same thing. Do you approve of that part of the mechanism which you praise?

Mr. ROSENTHAL. Insofar as the public at large is concerned, I think that the executive must reach its decisions in executive session. Insofar as the relationships between the Congress and the Executive go, I do not think that I, as a lay citizen, am competent to go into the details and say what information the Executive should or should not be given, other than to express the feeling that the Executive is entitled to all the information that it really needs.

Senator MILLIKIN. You then believe that disclosure of information, even after the decision has been made, as to the standards, if any, which were employed is something that is not desirable?

Mr. ROSENTHAL. No. I would personally have no hesitancy in telling the appropriate committees of Congress anything they wanted to know about any work if I was a civil servant. That is my lay belief.

Senator MILLIKIN. Of course you would.

Mr. ROSENTHAL. I still wish to stay out of this situation.

Senator MILLIKIN. But I suggest to you, you are praising a system which does not do that.

Mr. ROSENTHAL. I would not say I think the system is perfect in every regard. I do not think any of these things are. But I do not want to get involved in the details, Senator, of the relationship between the Congress and the Executive. I am here to advocate what I think is a logical mechanism on the subject of tariffs, which I consider only one part of our entire international economic and political policy.

Senator MILLIKIN. The only reason I scared these rabbits out of the bush is because you were praising the mechanism of reciprocal trade.

Mr. ROSENTHAL. I have been speaking, well, of what I think the Executive has done over 17 years, which is my considered judgment.

Senator MILLIKIN. Yes. Now, I have invited your attention to the fact in every hearing we have dozens of industries come in claiming injury or the threat of injury. Some of them are so glaringly true that I suggest to you they are removed from the field of debate. And yet you give approval to that general kind of result, and I can understand now why you do. As I understand it, you believe the on-balance theory.

Mr. ROSENTHAL. Yes.

Senator MILLIKIN. And you would be willing that the executive department determine which industry should or should not be liquidated because it is uneconomic. I remind you that there is nothing of that kind in the Reciprocal Trade Act.

Mr. ROSENTHAL. Well, somebody has to make a decision, Senator, on the subject of tariff rates, and by and large I still think this is a better mechanism, with the limitations the Congress has imposed, than the old-fashioned mechanism. After all, relief will be granted to an industry unless it would be contrary to the interests of the overall economy.

Senator MILLIKIN. I agree with you that someone has to make the decision. Now it is a question of how that decision is made.

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. The criteria used in making that decision. Who makes the decision? Who has the final responsibility? Those are the things that we have to consider. And the statement that someone has to make the decision is stating something, I suggest, which is painfully obvious.

Mr. ROSENTHAL. Right.

Senator TAFT. Mr. Rosenthal, in the declaration of the Chamber's sweeping approval somebody got this clause in the last sentence: "Neither in the original form, nor in practical application, by reason of events that were not contemplated, should agreements be permitted to cause destructive competition in American agriculture or industry."

Neither in the original form shall it be allowed to cause destructive competition. Now, do you agree with that to begin with?

Mr. ROSENTHAL. Yes, sir.

Senator TAFT. You agree with that declaration?

Mr. ROSENTHAL. Yes, sir.

Senator TAFT. Then should not something be written into this act to say that? How are you going to accomplish that purpose—should you be permitted to cause destructive competition? In any industry, apparently, they do not go along with washing out a few like you do. How are you going to do that? How is that clause in the Chamber's resolution going to be carried out?

Mr. ROSENTHAL. I think it is going to be carried out in two ways, Senator. One, I think it is going to be carried out by the skill of the various branches of Government that have to do with these negotiations and decisions, and then the other mechanism is the escape clause.

Senator TAFT. But the escape clause is in case of unforeseen developments, which does not have anything to do with the original

agreement but, as I say, is a subsequent thing. I am asking how we are going to get into this original agreement a rate which will not cause destructive competition in American industry.

Mr. ROSENTHAL. Well, I think that has to be left——

Senator TAFT. You just leave that to the Executive. You are opposed to writing anything into the act that will attempt to even suggest to the Executive that ought to be done, is that right, in spite of the chamber's own declaration?

Mr. ROSENTHAL. It would depend, sir, on the extent to which you attempt to pinpoint it in detail.

Senator TAFT. I am not talking about pinpointing in detail.

Mr. ROSENTHAL. Sure it is.

Senator TAFT. I am talking about laying that principle down in the law; that is all I am talking about.

Mr. ROSENTHAL. Because every manufacturer in the United States, I am sure, would like a very high tariff on everything that he manufactured.

Senator TAFT. Oh, probably.

Mr. ROSENTHAL. Obviously I personally do not believe that that necessarily is sound or beneficial.

Senator TAFT. I do not either. I quite agree with you. But what we are discussing is whether the Congress should lay down a standard such as in the peril point dealing with this question, which the chamber itself says is a proper qualification of the whole program.

Mr. ROSENTHAL. Senator, you see my objection to the peril point amendment, my personal objection to it, is the fact that I do not think it is sound administration to set the Tariff Commission up as a negating factor on all of the other branches of Government.

Senator MILLIKIN. What do you mean by a negating factor?

Mr. ROSENTHAL. Just that.

Senator MILLIKIN. Under the peril point all of the branches of Government carry on their traditional usefulness, if they have any, so far as the subject is concerned.

Mr. ROSENTHAL. Senator, you and I know that if the Tariff Commission announced a peril point that is certainly going to have an effect on other branches of Government.

Senator MILLIKIN. But the Tariff Commission under the peril point procedure has all those agencies available to it for advice, and those agencies are free to give their advice.

Mr. ROSENTHAL. But I do not see any need for setting the Tariff Commission up that way. It is in it now. It now participates in it. The other agencies also consider, I am sure, what the peril points would be beyond which reductions should not be made, and the Tariff Commission participates in them.

Senator MILLIKIN. What you are arguing now is that in practical effect we have a peril point.

Mr. ROSENTHAL. I would certainly think so.

Senator MILLIKIN. If so, why not say so in the law?

Mr. ROSENTHAL. Because I do not believe, I just do not believe the way it is said in the law——

Senator MILLIKIN. All right. What is your objection? Let's get at it.

Mr. ROSENTHAL. My objection is, one, I do not believe the Tariff Commission should be set up apart from other agencies of Government to announce those peril points.

Senator MILLIKIN. I suggest to you that the Tariff Commission is not set up that way. Under the peril points the Tariff Commission carries on its traditional processes on reaching conclusions as to peril points. In connection with that process it has available to it and uses and solicits the opinion of the other agencies of the Government that might be affected, and that they are perfectly free to give their opinions to the Tariff Commission.

Mr. ROSENTHAL. Correct.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. So they then announce their opinion, which is only their opinion, and that is made public to the world at large.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. If the President wishes to disregard that opinion, he may disregard it and then send a statement to the Congress.

Senator MILLIKIN. That is right.

Mr. ROSENTHAL. I just do not think that is a very healthy administrative situation.

Senator MILLIKIN. That is about the mildest way that we could suggest to the President that we mean it when we say it, that domestic producers shall not be subjected to serious injury or the threat of it. And the mildness of it comes about because we do not make it mandatory that he shall act on the Tariff Commission report but that, "if you do not, then tell the people why not." And under your theory of democracy, what can be fairer than that? Why should he not?

Mr. ROSENTHAL. In the first place, the peril point thing, if you set up the Tariff Commission——

Senator MILLIKIN. Now your position is this—and I do not agree with your opinions, but I respect them as coming from an intelligent man—No. 1, you say that the rest of the agencies of Government are excluded from peril points under this procedure.

Mr. ROSENTHAL. Not excluded from discussions, certainly, excluded from making decision on peril points. The Tariff Commission has that responsibility.

Senator MILLIKIN. That part is correct?

Mr. ROSENTHAL. Yes.

Senator MILLIKIN. But you said a while ago someone has to make a decision.

Mr. ROSENTHAL. And I think that decision should be left to this group of agencies that constitute these two committees.

Senator MILLIKIN. Let me bring to your attention that these other agencies are not equipped to have a rounded opinion on what is a peril point in this business; that the Tariff Commission is the only agency of all those in your mind that is equipped to establish a peril point; it is the only agency that has the hearing procedures; it is the only agency that has the accumulation of data necessary to make a sound opinion. It is the agency which we set up, the Congress set up, to deal with problems of that kind. Now what is left then of your No. 1?

Mr. ROSENTHAL. If the Congress wished to include a provision that these two committees formulating their conclusions as to the basis of negotiations were to pay due need to peril points below which tariff rates should not be reduced, I would have no objection. I do not like having one agency of the Executive Department set up to create what I think would be a psychological condition that I think makes for unsound administration.

Senator MILLIKIN. Now the President is at liberty to take the advice of any agency of the Government before he makes his decision.

Mr. ROSENTHAL. Yes.

Senator MILLIKIN. He is at liberty to take the advice of any citizen. He is at liberty to work on the principle of divine afflatus. He can make his own decision. Is that correct?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. Does not that allow enough leeway?

Mr. ROSENTHAL. No, sir; because what I think it means is if the Tariff Commission and other agencies of Government, which would be basically advising the President, were to disagree, it would produce a healthy brawl, which results in nothing and does not make sound administration.

Senator MILLIKIN. They always have healthy brawls. No two agencies of this Government are in agreement with each other. That is the reason they had to set up a coordinator, that is, the function of Assistant President, to try to keep these fellows from brawling, at least in public.

Mr. ROSENTHAL. I do not approve of it, at least in public.

Senator MILLIKIN. I am not saying you do. No one wants brawls, but there is so much of it that special measures have to be taken to try to avoid it.

Let me read to you from the Executive order on this peril point business prior to the last one. I am referring to Executive Order 9832, February 25, 1947.

Mr. ROSENTHAL. That is the escape clause one.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. Right.

Senator MILLIKIN. Paragraph 8 says among other things:

> If any such recommendation to the President with respect to the inclusion of concessions in any trade agreement—

this goes to the peril point, not the escape clause. It might have usefulness there too, but this goes primarily to the peril point—

> if any such recommendation to the President—

maybe I had better read the whole of 8 so we know exactly what the subject matter is.

> After analysis and consideration of the studies of the Tariff Commission and the Department of Commerce provided for in paragraphs 6 and 7 hereof, of the views of interested persons, presented to the Committee for Reciprocity Information—

then parenthetical material—

> and of any other information available to the Interdepartmental Committee, the Interdepartmental Committee shall made such recommendations to the President relative to the conclusion of trade agreements and to the provisions to be included therein as are considered appropriate to carry out the purposes set forth in said act of June 12, 1934, as amended. If any such recommendation to the President with respect to the inclusion of a concession—

we are now prior to the adoption of a concession—

> if any such recommendation to the President with respect to the inclusion of a concession in any trade agreement is not unanimous, the President shall be provided with a full report by the dissenting member or members of the Interdepartmental Committee giving the reasons for their dissent and specifying the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy.

Mr. ROSENTHAL. I think that is all right.

Senator MILLIKIN. Well, if you think that is all right, then about half of your testimony is wrong.

Mr. ROSENTHAL. No, sir, I am sorry.

Senator MILLIKIN. Let the record speak for itself.

Mr. ROSENTHAL. Yes, sir. I think there is a big difference.

Senator KERR. We will agree that the record will speak for itself. You may proceed, Mr. Rosenthal.

Mr. ROSENTHAL. By the policy which I have read to you, it is evident that the Chamber membership recognizes the importance of having available at all times appropriate executive machinery for the prompt adjustment of tariffs through reciprocal negotiations, flexible enough to meet rapidly changing world economic conditions. At the same time, one of the fundamentals of the chamber's position has been, very naturally, that the administrative machinery contain adequate safeguards for the protection of domestic industry and agriculture from destructive competition by foreign goods.

The national chamber believes that the practical day-to-day aspects of the Trade Agreements Act warrant its continuation.

Incidentally, it is rather unusual that representative organizations of business, agriculture, and labor, although this does not apply to all of them, are united in support of the trade-agreements program.

Senator MILLIKIN. Well, I would invite your attention that we have about a dozen or 15 unions which one way or another are appearing before this committee, and they are far from satisfied.

Mr. ROSENTHAL. Yes; and we have a number of others that approve of it.

Senator MILLIKIN. And I venture to say in your National Chamber of Commerce maybe a majority might favor this, that, or the other, but you always have a very active minority.

Mr. ROSENTHAL. Always. I am delighted that we have that.

Senator MILLIKIN. That is excellent, I agree with you. I am also suggesting in the National Chamber of Commerce there is always a hot fight between the interests of the exporters and of the importers, which goes a considerable way toward shaping the final conclusion of the chamber. Am I wrong or am I wrong?

Mr. ROSENTHAL. I do not think it is a fight between the exporters and importers, Senator. I would say there is always in the chamber committees of which I have been a member a hot fight on a great many different issues, which I think is very helpful.

Senator KERR. You would not condemn the principle of the majority prevailing though?

Mr. ROSENTHAL. I think that is a necessary part of our democracy, Senator.

Senator KERR. And you think there are elements of health in that?

Mr. ROSENTHAL. Yes, sir; very definitely. Even when I have disagreed with some legislation, I thought that. That is the way we run our democracy, which I think is the most prized possession that the American people have, and I think it is healthy that the minorities express themselves as forcibly as they have.

Senator KERR. And they have the right to be protected?

Mr. ROSENTHAL. Very definitely.

Senator KERR. But that we would lose democracy quicker by refusing to let the will of the majority prevail than any other route you can think of at the moment?

Mr. ROSENTHAL. Very definitely.

Senator MILLIKIN. To all of that, I say amen, amen, and it is interesting to have this implied admission that the Chamber of Commerce is a democratic organization.

Mr. ROSENTHAL; Yes, sir. Even when I have disagreed with some of their policies, I have felt that very strongly, Senator.

No nation, not even the United States is self-sufficient.

Senator KERR. Just a moment. Do I understand my good friend here to be saying that which insofar as his attitude is concerned excludes them from any other than the democratic organization?

Senator MILLIKIN. The Chamber of Commerce has been so belabored and criticized as representing the aristocrats of industry and special interest groups, that I think it would come like a nice pleasant warm bath to have something occur in the hearing that indicated it was a democratic organization.

Senator KERR. I would like for the record to show that my good friend here is giving a quitclaim and on behalf of others I am glad to accept it.

Senator MILLIKIN. Wait until we hear the orators on the subject of the Chamber of Commerce.

Mr. ROSENTHAL. Oh, yes. I have indulged in some of it.

The high standard of living which we enjoy could not be attained solely by virtue of the resources within our own borders. Without certain products which must be imported, our national income, and our standard of living, would be much lower. Other nations exist without the great variety of products, including imported goods, which we consume, but their standard of living is not as high as is ours. Those nations, less richly endowed with natural resources and industrial potentialities, are even more dependent than we on imports. If trade barriers be permitted to reduce their imports, the results would be even more drastic than they would be for us.

Senator MILLIKIN. Of course, they have control over their own imports.

Mr. ROSENTHAL. Yes, sir; except that they need the foreign exchange with which to buy it.

Senator MILLIKIN. Yes; and they need dollars. And if they activated themselves in giving honest value to their own money, a lot of the so-called dollar-gap problems would disappear, would they not?

Mr. ROSENTHAL. In some cases; yes.

Senator MILLIKIN. Yes.

Mr. ROSENTHAL. That is a most complicated problem.

Senator MILLIKIN. Yes; it is a very complicated problem; but obviously, if the currency of any country withstands the impact of a free international currency market, it is a good currency at the prevailing level, and it can be used for exchange, and they do not have to come crying to Uncle Sam, "For goodness sake, make up our trade deficiencies."

Mr. ROSENTHAL. There has been some improvement in the last few years, even though not as much as we would like.

Senator MILLIKIN. Just— —

Mr. ROSENTHAL. No; do not misunderstand me. I do not want to give them more dollars. That is not what I said. I said there has been some improvement in monetary conditions of other countries of the world during the last few years.

Senator MILLIKIN. But what currencies of the world are valued in a free market?

Mr. ROSENTHAL. Very few.

Senator MILLIKIN. Will you name them?

Mr. ROSENTHAL. Switzerland is one I can think of offhand. Guatemala is another. And I would not wish to go down the whole line of them, but they are very few.

Senator MILLIKIN. Very few, yes.

Mr. ROSENTHAL. I concede that.

Senator MILLIKIN. Yes, thank you.

Mr. ROSENTHAL. As a businessman, and speaking for businessmen, I should like to point out that continuation of the program, unhampered by restrictive amendments, is necessary in order to have expanded commercial imports and exports. Increased trade means increased business for all segments of our economy. Almost every major industrial group does some export business, and in many cases the export market represents a fairly large percentage of the total business volume. Even if foreign sales represent only a small percentage of total sales, it may mean the difference between profit and loss to a given company. The increased sales of American products made possible by the export market often mean lowered unit costs, which means that the price to the American consumer is lower.

We should not make the mistake of believing that the size of the export market is important only to our manufacturing interests. Shipments of agricultural products and extracted raw materials have formed a large part of our total export market.

Senator MILLIKIN. Would you agree with me that we should not make the mistake of underrating the importance of our own market and the productive forces which sustain that market?

Mr. ROSENTHAL. Definitely.

Senator MILLIKIN. The payrolls which sustain it, the capital which sustains it?

Mr. ROSENTHAL. Yes, sir.

Foreign trade means increased business for our shipping interests, as well as other forms of transportation, and also for our communication and insurance interests.

The national chamber, as an organization of businessmen, is fully aware of the fact that the operation of the trade agreements program, due to the lowering of American tariffs from the 1930 high, has probably brought about a greater degree of competition in some lines. The relatively few applications for relief under the escape clause, combined with the findings of the Tariff Commission, would seem to indicate, however, that complaints about the effect of a particular concession granted under the Trade Agreements Act have been prompted more by apprehension on the part of a particular industry as to possible future injury than by actual experience of destructive effects.

Senator MILLIKIN. A sound businessman concerns himself as much with the future as he does with the present, does he not?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. He has to chart his business by his predictions of what is going to happen in the future.

Mr. ROSENTHAL. Very definitely.

Senator MILLIKIN. To use a figure which I have used before, it is not quite sensible for a fellow falling from a 10-story building when he gets down to the second floor hollering out, "I am all right so far. I am not threatened with injury."

Mr. ROSENTHAL. That is right. You should not fall at all.

Senator MILLIKIN. In other words, you have no complaint because a man who feels he is going to be hurt tries to avert the injury?

Mr. ROSENTHAL. Not a bit.

Senator MILLIKIN. No.

Mr. ROSENTHAL. There has been some discussion as to whether the act should be continued during this period which has been so aptly termed the "dark gray period" of mobilization. There is, I am convinced, even more reason now to work for reciprocal trade agreements than there has been in the past.

Senator MILLIKIN. You favor multilateral agreements, do you not?

Mr. ROSENTHAL. On the whole; yes, sir.

Senator MILLIKIN. Which has the effect of making every tariff dispute on any single item an international problem.

Mr. ROSENTHAL. I think so.

Senator MILLIKIN. You favor that?

Mr. ROSENTHAL. Yes.

Senator MILLIKIN. All right. You favored ITO, did you not?

Mr. ROSENTHAL. Yes, sir; but personally. May I, though, for the record, state: The United States Chamber of Commerce was opposed to the proposed Havana Charter for an ITO. I was one of the minority in that case.

Senator MILLIKIN. You favored it personally, and you must be appalled at the terrible shock to our foreign relations that has resulted from the State Department's abandonment of it.

Mr. ROSENTHAL. I am not appalled, I feel badly.

Senator MILLIKIN. You feel badly, but you do not see any of the chancellories of the world falling apart because of that action.

Mr. ROSENTHAL. No.

Senator MILLIKIN. And since you favored ITO personally, of course, it follows you favor that part of ITO which is in GATT.

Mr. ROSENTHAL. Personally, yes. But may I just say that the chamber now has asked its foreign commerce department committee to make a study of GATT, which is now under way, so that we have no position to take on that subject now. The chamber is on record as being in favor of some type of international trade organization, although it disapproved of the Havana Charter as it did not think that would accomplish what we wanted to accomplish.

Senator MILLIKIN. Thank you.

Mr. ROSENTHAL. At the present time, or during a war, there will still be some private international trade, and it is important that every opportunity be afforded for it to continue. The Trade Agreements Act will help provide this opportunity.

To discontinue this Program now would be more than a repudiation of our previous policy. It would be a deliberate step which could have no other effect than to raise the present barriers to trade, and that, as we know, leads to economic isolationism, which leads to political and military isolationism.

Senator KERR. Mr. Rosenthal, I wonder if I might make a suggestion here. I want to say that personally I have greatly enjoyed your

presentation. I have developed a great respect both for your opinion and your ability to justify and defend it.

We have some other witnesses that are most anxious to appear. Our time is approaching the limit. Would it be agreeable for the rest of your statement to appear in the record?

Mr. ROSENTHAL. Yes, surely.

Senator KERR. Would that suit you, Senator Millikin?

Senator MILLIKIN. It deprives me of the great pleasure of examining the witness, but I am agreeable if you insist.

Senator KERR. No; I do not insist.

Mr. ROSENTHAL. May I say this, Senator? I would be delighted. I understand that, having been a witness before, I do not need to read the rest of my statement. All I want to say is the chamber itself has not considered the amendments. My statement states that personally I am opposed to all four amendments, although I believe that some escape clause should be included, although I do not like the one in it.

Senator KERR. You are not saying the chamber either approves or disapproves of the bill that is before us?

Mr. ROSENTHAL. No.

Senator KERR. Except that the chamber does approve a continuance of the reciprocal trade system; is that correct?

Mr. ROSENTHAL. Yes, sir.

Senator KERR. Thank you very kindly, Mr. Rosenthal. And I want to say I would like to be back at the time you are here again because, as I say, I think you have done about as good a job of taking care of your position as any man I have seen before us.

Mr. ROSENTHAL. Thank you very much, Senator, that is very nice of you.

Senator MILLIKIN. I hope that you report to your clients what the distinguished Senator has said.

Mr. ROSENTHAL. They are not my clients, I am just a member of the organization.

(The balance of the statement submitted by Mr. Rosenthal reads as follows:)

The National Chamber urges continuation of the present act. The chamber does not have specific recommendations on the amendments which were added to H. R. 1612 on the floor of the House. Therefore, I would like to make a few personal comments on these amendments. Many of my associates are sure to agree with me, and there will be some who will not agree.

The amendment providing for the establishment of what are commonly known as peril points appears as sections 3, 4, and 5 of H. R. 1612. The National Chamber is fully in sympathy with, and supports, the desire of industries to keep tariffs from being reduced to the extent that serious injury is caused, or threatened. We have in our membership those who would suffer if the program were unwisely conducted.

Sections 3, 4, and 5 of the present bill, in my opinion, will hamper effective implementation of the act. There is no way of determining with slide-rule accuracy, as required by this amendment, the exact points to which tariffs may safely be reduced. Neither the Tariff Commission, nor any body of men, could determine those points with any more accuracy than it can be determined how high, say, the tax rate may be raised without retarding productivity.

I do not believe that it is sound administration to put the Tariff Commission in the position of trying in advance to fix the peril points which are bound to have a strangulating effect upon the executive branch of the Government in their negotiations with other countries.

I believe that most of the industries which have appeared at these hearings over the years in opposition to the program are still in prosperous business, employing

American citizens, paying good salaries and dividends. In short, they are far from peril. I say this in recognition of the care with which the negotiations have been conducted and the diligence with which the civil servants of the executive branch have performed their tasks.

Section 6 of the present bill, it seems to me, would impose certain restrictions upon our Government in the conduct of political, military, and economic relations with other countries, The reasons motivating this amendment are easily appreciable, but I feel that the possible good to be gained will be more than outweighed by the apparent disadvantages. This amendment appears to be designed as a measure of economic warfare rather than as a trade measure.

It is true, of course, that the Soviet Union and her satellites do gain some dollars from the concessions as they now exist. But, all United States shipments to iron curtain countries are regulated under the Export Control Act.

There is another phase of this amendment which must be given serious consideration. We, each of us, still hope that an honorable and peaceful way may be found to settle and dissipate world instability. If the Congress considers this impossible, the question is academic. But while there is still hope that we will not have to suffer the horrors of an atomic war, we should remember that the actions of the United States, as determined by the Congress, are the criteria for honorable international behavior. This amendment can prove a tremendous tool of psychological warfare by enabling the Politburo to say that the United States is clearly the aggressor nation since it has taken the initiative in breaking off commercial relations.

The National Chamber emphatically supports the principle of the escape clause, which is included in the present bill as section 7. That part of our policy states:

"There should be * * * clauses in the agreements providing, in case of unforeseen developments, for the modification or withdrawal of concessions, in order to prevent serious injury to domestic producers."

It is my own opinion that the criteria for the use of the escape clause established by this amendment attach undue importance to the influence of imports when sales decline. A concession relating to an entire industry could be revoked, by subsection (b), to prevent a threat of injury to a marginal producer in that industry. This subsection would also permit a concession to be revoked even though no member of the industry affected had applied for relief.

Section 8 of the present bill does not appear, to me, to be administratively sound. There can, unfortunately, be no complete reconciliation between the program of price supports for agricultural commodities and the program for multilateral tariff negotiations. There should, however, be a determined and vigorous effort to compromise the two conflicting philosophies whenever they meet head on. The amendment in question gives added impetus to the program of price supports while effectively limiting imports of all agricultural commodities which are supported under our domestic agricultural programs.

While it is true that the importation of certain commodities, which are supported here, could contribute to surpluses, it is also true that removing concessions on those commodities will cause other nations to retaliate by withdrawing concessions granted to United States products. Retaliatory revocations would affect all segments of our economy. It hardly seems logical, or just, to permit the operation of the domestic price-support program to invite almost certain retaliation, on the part of foreign countries, which will restrict the exportation of all types of American products.

ADDENDUM

The Chamber of Commerce of the United States is a national federation of 3,133 trade associations and local chambers of commerce which, in turn, represent 1,350,000 individual businessmen. Because the chamber in membership and direct interests embraces every important activity in our economy; and, through its membership—small businesses as well as large—it presents the opinion of a cross section of our entire economy. Thus, it is that policies of the chamber do not represent the views of some special group or particular interest, but are drawn from the diverse interests of the country as a whole and are voted by its membership. This voting, incidentally, is so regulated that no geographic concentration of interests or economic concentration of power can override the broader interests of the entire membership.

Since the Chamber of Commerce is a democratic organization, and since its membership encompasses the widest range of interests, the members retain every right to express themselves as individuals. So there may be some members who are in a minority disagreement, but the official attitude, as approved at the annual meeting, favors the continuation of the Trade Agreements Act.

Senator KERR. Mr. Weyand of the Detroit Board of Commerce could not wait and his statement will be placed into the record at this point.

(The statement submitted by Mr. C. M. Weyand of the Detroit Board of Commerce is as follows:)

STATEMENT OF POLICY ON THE EXTENSION OF THE TRADE AGREEMENTS ACT

There is no area in the United States with a greater interest in the expansion of world trade than the city of Detroit and the State of Michigan. The 3-year extension of the Trade Agreements Act is a major factor in maintaining and increasing this vital two-way trade.

The Detroit Board of Commerce represents those firms in Detroit that are responsible for the world-wide renown of the term "made in Detroit." These world missionaries of mass production have contributed substantially to the winning of two world wars. They will, when that millennium has been reached, be greatly responsible for the establishment of that illusive quality known as peace. The cementing of world friendships through increased production and trade is the only effective way to promote peace, win friends, and satisfy the wants and needs of the peoples of the globe.

Today the entire world is confronted with the impact of totalitarian philosophies and ideologies such as communism, fascism, and socialism. These sterile philosophies have obscured the real revolution of our time-mass production. This world-shaking development has changed the face of the earth, the habits, and customs of all peoples, and holds a promise for all for a free and more abundant life. It is the only answer to the destructive isms being offered the world today.

New Detroit-made automobiles, drugs, paints, agricultural machinery, and other products are far more effective answers to communistic and other alien propaganda and lies than all our diplomats, white papers, and the many programs of the Voice of America could ever render, although the latter are doing an admirable job. Our firms and our labor must in the interests of national defense have access to the markets of the world. Unless these markets are likewise afforded reasonable entry into our markets they will not be able to obtain the purchasing power to pay for our products.

During the postwar years the United States has expended billions of dollars in order to pay for the deficit in our world trade in the form of foreign-aid programs at a tremendous cost to United States taxpayers. We are committed as part of the cost of world leadership to the task of assisting friendly nations in the maintenance of their economics. It is now a question as to whether this is to be accomplished by Government-controlled international dole programs or on a basis of free enterprise industry to industry trade. The latter is the only effective method. It is the only way in which we can meet our world responsibilities without placing a staggering burden on the shoulders of the American taxpayer.

The continued prosperity of the State of Michigan and the city of Detroit is dependent upon a reasonably free flow of world trade. Without imports this area cannot export. Without exports, our economy is threatened. The members of the Detroit Board of Commerce in the year just ended exported over 1,250 millions of dollars in products. Over 900 Michigan firms are engaged in this world trade. One out of every seven workers in the city of Detroit is directly dependent upon this vital trade for his employment. Many others are indirectly affected.

Over 15 percent of Detroit's production finds its way each year into overseas and foreign markets. Statistically this does not loom large, but it is great enough to make Detroit the No. 1 producer of industrial products for world trade. It is also true that this 15 percent is, in the case of many Detroit firms, the difference between profit and loss. To other companies, export markets afford the necessary production to permit them to sell, through the savings of mass production, to consumers at home and throughout the world at lower prices.

Increased world trade makes it possible for Detroit and Michigan firms to invest abroad in wealth-producing facilities. The Detroit program of cooperative investments in money, skills, and techniques abroad had materially increased prosperity throughout the world long before any Government agency or official had given any thought to a point 4 program. The Detroit program continues but its continued success is dependent upon an ever-increasing free flow of trade throughout the world.

This investment program benefits the nations of the world. It results in increased purchasing power, productivity, and proselytes to the cause of freedom throughout the world. It is likewise of benefit to consumers and labor in the United States. Production abroad means greater and more productive production at home. These overseas operations are, however, dependent upon the nations of the world having access to the United States market in order to obtain the necessary dollars to pay for the parts and equipment needed to sustain and increase the production in plants abroad. A failure in our overseas operations will inevitably result in financial reverses at home and unemployment among our workers.

The importation into the United States of numerous products is also of vital importance to this area. Without heavy imports of commodities and products unobtainable in the United States, our chemical, pharmaceutical, automotive, and other industries could not continue to operate. Over 300 imported items are needed for the production of a single automobile. An increase in the duties on these importations will inevitably be reflected in increased prices for the United States consumer.

Since the inauguration of the Trade Agreements Act, the export trade of the city of Detroit and the State of Michigan has increased steadily from a low of $82 million in 1933 to the present high of over $1,250 million. The import trade has likewise increased. Attached are charts showing the increases in both export and import trade through the customs district of Michigan since 1900. This reflects only a portion of Michigan's total world trade as many other United States ports are utilized.

CONCLUSION

The extension of the Trade Agreements Act for 3 years will make it possible for labor and industry in Detroit and Michigan to contribute substantially toward the establishment of world peace and the defeat of totalitarian ideologies. It will decrease taxes resulting from foreign-aid programs and assist the forces of private enterprise both at home and abroad. It is important to the continued prosperity of labor and industry in the State of Michigan. It means lower prices to consumers and higher standards of living throughout the world.

Therefore, the board of directors of the Detroit Board of Commerce urges the Senate Finance Committee to favorably report this bill and recommend the 3-year extension of the Trade Agreements Act.

Presentation of Point of View of Detroit Board of Commerce and World Affairs Committee of the Board of Commerce, by C. M. Weyand

The Reciprocal Trade Agreements Act in its origin and subsequent renewals, has attempted to give to the United States Government, the opportunity to negotiate with foreign countries, with the purpose of mutually removing barriers to the free flow of international trade, through reciprocal reductions of tariffs. All countries in the world, including the United States, in times past have created almost insurmountable walls through imposing high protective tariffs and complicated customs machinery. For many years, the general feeling around the world was that the United States, feeling very largely sufficient unto itself, was the leader in setting up obstacles to the flow of imports. Then there came a time when the need for imports began to be felt, because it was obvious to everyone that our flow of exports was necessarily limited by the flow of imports. We came to understand that world trade must be a two-way street if we were to maintain a volume of international trade which would meet the rquirements of our domestic economy. As our production pattern widened and deepened, we had an increasing need of foreign raw materials and we also needed an increased flow of exports in order to insure running our productive machine at a sufficiently high tempo to assure our economic stability.

From colonial days international trading was widely practiced. We needed foreign goods and we had to export in order to have the purchasing power to pay for such imports. This situation prevailed even in colonial times and it has continued to be of paramount interest in our modern economic life. While we were passing through our industrial expansion, there was a feeling that American industries needed protection from foreign competition and we imposed very strict tariff laws that gave that protection. But as we moved into these latter days we found this policy had to be reversed or we would be responsible for disappointing a large measure of our export trade. So there came to be a growing

desire which gained a wide measure of popular acceptance for facilitating imports. I think all will agree that the Reciprocal Trade Agreements Act has worked very successfully and that it has permitted and resulted in a considerable reduction of trade barriers for our products abroad and reciprocally reduced barriers for foreign products sold in the United States.

We now come to the time when this act comes up for renewal. To us in Detroit, it seems the reasons for renewal are stronger today than when the act was first made a part of the law of the land. The lessons of the postwar period have certainly given added emphasis to the need of maintaining international trade as an even two-way flow. The end of the last war revealed a situation where the American productive capacity was practically intact and greatly expanded, whereas the overseas competitive productive machine was largely impaired as a result of the war. The needs for our products were correspondingly increased, but, unfortunately, our foreign customers were not in position to earn the dollars to pay for these accelerated exports.

The Marshall plan resulted in loans, grants, and other forms of relief that balanced the account, between imports and exports. We in Detroit have always considered this, apart from the humanitarian phases of relief, as being an unfortunate method of balancing foreign trade, and we have looked forward to the day when foreign trade could stand on its own feet without American subsidy added to our tax burden. This imbalance in trade has continued since the war and only in 1950 have we approached a balance. This balance cannot be expected to continue unless we maintain our present policy of facilitating imports so that they can balance our exports. Hence, we are seriously in favor of renewal of this act without crippling amendments. How much better for our economy to be enriched by a steady flow of foreign goods and services equal to the outflow, rather than to make up the deficit with gifts in order to balance the account at the expense of the American taxpayer.

Generally speaking, imports are not a menace in any sense of the word. It is true that here and there are certain industries in the United States that find it difficult to compete with certain foreign products, but in the United States we believe in the competitive system. We feel ourselves capable of constantly improving by our technology, and while we maintain a high wage level and a high standard of living, to be able with our mass production methods, to produce products that can always compete successfully with foreign products. If one approaches this subject idealistically, we would say quite bluntly that we feel the removal of all international trade barriers is important. The accomplishment of this ideal situation is, of course, far in the future, and would represent a situation where quotas, embargoes, restrictions, and tariffs, would all disappear and the nations of the world would trade among themselves just as the States of the American Union trade among themselves.

In the early days of the formation of the United States, we had the same problem between the States, one State imposing trade barriers against another, but through the process of time, we found out that the best good of the United States, and the greatest good to the greatest number of its citizens, came through eliminating all trade barriers between the States that make up the Union. That has brought prosperity and peace within the United States, and we seriously believe that to a degree that on a world basis we accomplish or help generate a situation through the world similar to that that prevails between the States of the Union, we will be contributing toward world prosperity and world peace and be using a method which is perhaps in the long run, the very best to overcome the false ologies and isms that confuse and perplex and threaten the peace in the world today. Of course, we must admit that progress is something that must be achieved progressively and as we have watched the operation of the Reciprocal Trade Agreements Act as a part of national policy, we believe it has been administered in a manner that adheres to this theory of progressive development as opposed to radical action. Admittedly, we cannot move any more rapidly, more abruptly than we can obtain reciprocal treatment by other countries, but America's place of leadership which is certainly economic as much as it is political, in the world today, does not permit us to formulate a backward policy in this world economic development. At a time when world cooperation is needed seriously, we must be prepared to cooperate economically. The right to negotiate reciprocal trade agreements is a declaration of United States Government policy, which is a signal to the world that we are prepared to cooperate economically, and is an invitation to other nations of the world to reciprocate.

Like all great movements the most sincere and energetic efforts of leadership are often accompanied by disappointing results. Therefore, nobody even assumes

or attempts to state that the operations under the Reciprocal Trade Agreements Act have been blessed with success at every stage. They have not, but at least we have taken a position. We invite the countries of the world to reciprocate with us in building a pattern which eventually would spell out in results an increasingly free flow of goods, services, and ideas across the frontiers of the world. Independent of this governmental administrative machinery which has been set in movement through the Reciprocal Trade Agreements Act, many American companies and corporations have been working unceasingly for the accomplishment of these same ends.

Long before the point 4 program was ever thought about in terms of Government action, individual American companies who had been investing abroad, manufacturing abroad, using foreign employees, building, commodities, and foreign tools, and had been building up products which in turn had been imported into the United States in a conscious effort to assist in balancing international trade so that our level of exports could be increased. It has become a recognized principle that the maintenance of an export flow of 10 to 15 percent of our American product is an absolute essential to the health of our economy. It is also clearly understood and agreed by industry and labor, that when our exports fall below a certain minimum level, our economy slumps and everybody suffers. Therefore, there is an ever-widening area of acceptance for the approval and extension of the Reciprocal Trade Agreements Act, because it is generally felt that within this act resides the possibility for constructive negotiations toward the removal of trade barriers which promise an ever-increasing security for the maintenance of our export level.

Why cripple this act which has been working very successfully and has been administered in a very successful manner? Why cripple our negotiants who sit down around the table with foreign representatives? Why cripple their efforts with amendments to this act which indicate that they must doubt the wisdom of the very policy which we have inaugurated on a world-wide basis? Surely at times at least in this era a certain element of protection still must be maintained, but the State Department, supported and counseled by the Tariff Commission, have always tempered their negotiations to take care of certain situations in international trade which necessitated special treatment.

We, therefore, plead with you to extend the Reciprocal Trade Agreements Act without crippling amendments, enabling those who represent the United States, to act with complete authority which will engender confidence and respect with the nations with whom they are treating.

Senator KERR. Mr. Rodes of the American Trade Association of Morocco.

STATEMENT OF ROBERT EMMET RODES, PRESIDENT, AMERICAN TRADE ASSOCIATION OF MOROCCO, CASABLANCA

Mr. RODES. My name is Robert E. Rodes. I am president of the American Trade Association of Morocco.

I have been asked to conserve time by summarizing my oral comments. More detailed remarks and justifications of my statements will be found in this expanded statement which I should appreciate your placing in your record.

Senator KERR. That will be done.

Mr. RODES. I fully believe in the principle of reciprocal trade—that each participating nation will have a freer outlet for those products which it produces most efficiently, thereby increasing the global total of goods and the standard of living of the populations who divide them.

However, the arrangement is not giving the United States the advantages we envisaged. Foreign markets for our products have not expanded appreciably. While we are relinquishing customs duties, virtually our sole defense against foreign competition, foreign nations are developing other devices which effectively exclude our products from their markets. Our bargainers are less aggressive in defending

our interests than are their foreign opposites. Furthermore, after agreements are concluded our Department of State is unwilling to insist on their enforcement.

Quantitative quotas, restrictive licensing and bilateralism, are common in both our export and import trade. They deprive us not only of legitimate markets for our products but also of the raw materials we require.

Articles published by the Department of Commerce, which appear in this full statement in greater length, state that all but 8 of the 85 trading nations maintain controls as "shields against competition" which are "coming to be regarded as vested rights" and which "often violate international agreements."

ECA's French publication stated: "French business considers French European and overseas markets as a patrolled hunting preserve" and maintains "preferential customs regimes, quantitative quotas, and all other devices which permit monopoly by the eviction of competition."

And I would like for you gentlemen to remember that "all other devices which permit monopoly by the eviction of competition." That appears in an ECA Paris publication distributed from our Embassy.

In Morocco, where I have my business, France has used embargoes and other restrictions to raise her share of trade to 70 percent of Morocco's total, against a prewar 34 percent.

While European exports of manufactured goods to the United States are rising, this has been accompanied by measures which deprive us of traditional sources of raw materials. The control of these materials is being used to force us to buy, in finished form, products which heretofore we always made ourselves.

Excluding commonwealths and dominions, France and England, with only two-thirds of our population, control twice as much land as we do. These possessions have vast natural resources. It is certainly inequitable to exclude us from freely competing in the purchase of their raw materials.

The Department of Commerce states of British Empire members, and all of these statements I make will be documented in this expanded statement:

> Measures were carried forward during the year 1949, especially in Africa, to organize the local producers in bodies designed to deal with the United Kingdom Government as the sole or main buyer of their export products (p. 42, Foreign Commerce Weekly, March 6, 1950).

Most of these products are raw and semifinished materials.

Almost all of these arrangements, as the Department of Commerce points out, violate international agreements. However, our Department of State is unwilling to require enforcement of such agreements. It has often set aside treaty provisions benefiting United States citizens and trade while insisting that we carry out the obligations we assumed in order to gain the very advantages we are ordered to relinquish.

Senator MILLIKIN. Mr. Witness, how long have you had these matters before Congress?

Mr. RODES. I have had them before Congress for 2 years, sir. I had them before the Department of State for 2 years before coming to Congress.

Senator MILLIKIN. Has Congress shown considerable sympathy with your position?

Mr. RODES. Twice Congress passed laws intended to do away with the situation I am outlining, specifically in Morocco.

Senator MILLIKIN. Have those conditions been done away with?

Mr. RODES. No, sir. The first law was not considered mandatory, it was considered simply an expression of the sense of Congress, although the ECA Administrator and the Department of State said they would be morally bound to carry it out.

They did nothing whatsoever in connection with that. Then 3 months later the Senate passed an amendment by 43 to 29 votes making it mandatory to cut off ECA funds to France unless the treaties in Morocco were carried out.

Senator MILLIKIN. Have they been cut off?

Mr. RODES. They have not. Nothing whatsoever has been done about it.

The Secretary of State arranged with France that France would bring action in the International Court of Justice at The Hague, not to determine that the French were complying with the treaties, which is the condition on which assistance was given——

Senator MILLIKIN. Did the Congress instruct the Department of State to bring the matter to the attention of the Court to which you refer?

Mr. RODES. No, sir.

Senator MILLIKIN. It did not?

Mr. RODES. That was State's own idea.

The important thing about it, Senator, that France does not even claim that she is complying with the treaties, which is the condition on which aid is authorized for her. France maintains in the action that the treaties should not be enforced.

An analogous case would be your telling me that you would give me $10,000 if I would jump out of the window, and having me to go to court and bring suit against you for $10,000, claiming that the requirement that I jump out of the window is unreasonable. That is more or less the way I understand it.

Senator MILLIKIN. I understand. The end point is nothing has happened.

Mr. RODES. Nothing has happened.

Senator MILLIKIN. Despite all these congressional efforts to get relief for Morocco, as I say, nothing has happened?

Mr. RODES. That is correct.

Senator MILLIKIN. You say that without qualification? Has anything at all happened except this buck passing to the International Court?

Mr. RODES. I say that none of the complaints, including complaints which the Department of State promised us to rectify before I ever came to Washington, have been taken care of.

Now there have been minor adjustments. For instance, some man may have been allowed to import a personal automobile which was not previously allowed, but as far as a general embargo on United States goods which does not apply to French goods, as far as export restrictions on exports to the United States which do not apply to exports to France, as far as collection of customs duties in a manner that is contrary to treaties and refusal to reimburse Americans who paid

several times as much duty as their French competitors, nothing has been done to remedy these major complaints.

Senator MILLIKIN. Who is head officer? Who looks after our affairs in Morocco?

Mr. RODES. So far it has been a Mr. Plitt, who is our diplomatic agent.

Senator MILLIKIN. Has he not recently been succeeded by someone?

Mr. RODES. Yes, sir.

Senator MILLIKIN. Who is that? Is that John Carter Vinson?

Mr. RODES. That is correct.

Senator MILLIKIN. Who comes from Switzerland?

Mr. RODES. Yes, sir.

Senator MILLIKIN. Where he did so much for the American watch industry.

Mr. RODES. I do not know anything about him, sir, except what I read in the papers.

Senator MILLIKIN. His appointment does not give you any particular comfort. If I were you I would not say anything against that appointment because you may want to get something out of him. I will withdraw my question.

Mr. RODES. I would like to make this general statement: Prior to 1947 we had as a Minister in Tangiers a gentleman who had been Chief of the Bureau of African Affairs in Washington and was thoroughly cognizant of our treaties and problems. He was replaced by one who did not have that experience and who, in addition, had a French wife, which normally would disqualify him for assignment in French territory.

Furthermore, the Chief, or what they now call the Director of the Office of African Affairs, is not at present one of the traditional Foreign Service officers. Heretofore, the State Department always has considered that such an officer must have at least 16 years' experience as a Foreign Service officer and that about half of that must have been responsible field experience. The present officer is one who has been a Foreign Service officer, I believe, since 1947 and came into the Department in 1946. He has had only 2 years' experience in the field, and that in a subordinate capacity.

Senator MILLIKIN. No matter who has been there, you have not gotten any relief; is that correct?

Mr. RODES. That is right, sir.

Senator KERR. All right, Mr. Rodes.

Mr. RODES. A good example is the Department's insistence that our most-favored-nation treaties make us grant tariff reductions to Communist countries while it makes no attempt to obtain equal trading privileges guaranteed either by friendly or hostile countries under similar agreements.

The expanded statement gives several examples of treaty violations which have been approved or condoned by the Department of State. I believe most of the members of this committee know of the Moroccan treaty violations, which include numerous examples of the results of this policy, some of which have just been discussed.

Mr. Acheson insists that he may set treaties aside and that "the factual foundation of his action will frequently not be public." That is quoting his representative testifying in a suit which I have against him to prevent his setting aside treaties without advice and

consent of the Senate. Other Secretaries have maintained that treaty terms could be waived only with advice and consent of the Senate, even when speaking of the very same treaties.

Here is an editorial from this week's Saturday Evening Post, entitled "The Senate Must Recover Its Treaty Making Power." It tells of Prof. Edwin Borchard's arguments for this. Professor Borchard also insists that the Senate should approve treaty alterations. It is certain that treaty ratification is meaningless if the Secretary of State can increase our obligations and reduce or waive those of foreign nations under any treaty.

To partially remedy this situation and to remind the Department of State and foreign nations that we expect to receive as well as give when we make agreements, I suggest the following provisos in the bill which you are considering:

(1) The terms of any treaty to which the United States is party shall remain in full force and effect until superseded by a new treaty ratified by the Senate unless, prior thereto, it expires by its own terms.

(2) On or before July 1, 1951, the Secretary of State shall prepare and thereafter keep current a list of all nations which are failing to comply with treaties or trade or customs agreements with the United States.

(3) There shall be no reduction in custom duties below the rates prevailing on July 1, 1950, with respect to products produced in or imported from any country so long as such country shall be listed as required in paragraph (2).

The statement about treaties was voted by the Senate as a rider to last year's ECA bill—page 6567, Congressional Record, May 4, 1950—it had very strong support. I remember Senators Bridges and Lehman, among others, took the floor for it, but it was killed in conference.

It seems logical to restate this important principle. As matters now stand the Secretary of State can set aside treaty provisions as he chooses. It also seems logical to remind other nations that we propose to obtain the considerations which induce us to make concessions to them. We would seem justified in reminding them that we are ready to honor our commitments but that we do not intend to deprive our Treasury of badly needed revenue for the benefit of nations who refuse to honor their engagements.

Senator KERR. All right, Mr. Rodes; thank you very much.

Senator MILLIKIN. Have you any opinion on the bill that is before us? You are proposing your own set of amendments.

Mr. RODES. Yes, sir.

Senator MILLIKIN. Have you any opinion on the bill that is before us?

Mr. RODES. Senator Millikin, I think that the principle is excellent. I think that in its administration we will lose by it.

Senator MILLIKIN. As to the bill before us?

Mr. RODES. Yes, sir. I think that in anything of that kind our present bargainers, who are promoted because of their ability to get along with their foreign opposites, tend to pull their punches. Now remember that our people who bargain with foreigners are judged solely on their ability to get along with those foreigners; the foreigners themselves are judged solely on their ability to further the selfish interests of the countries they are representing. Now when you have that, you have an unhealthy situation, under which any of these

arrangements we are making for bargaining we are more or less prone to lose.

Senator MILLIKIN. Thank you.

Senator KERR. Thank you very much, Mr. Rodes.

Mr. RODES. Thank you, sir.

(The prepared statement submitted by Mr. Rodes reads, in full, as follows:)

STATEMENT BY ROBERT EMMET RODES, PRESIDENT, AMERICAN TRADE ASSOCIATION OF MOROCCO, CASABLANCA

The purpose of this statement is to outline certain defects evidenced in the actual operation of the current Reciprocal Trade Act and to recommend safeguards to eliminate them.

As I understand it, the principle of reciprocal trade is that each participating nation will have a freer outlet for those products which it produces most efficiently, thereby increasing the global total of goods and the standard of living of the populations who divide them. It would seem that no one could quarrel with that. I certainly could not.

However, the arrangement is not giving the United States the advantages we envisaged and it constitutes an ever-increasing threat to our economic well-being in a great number of important fields. This is because under "reciprocal trade" foreign markets for our products have not expanded appreciably; because while we are relinquishing customs duties, virtually our sole defense against foreign competition, foreign nations are developing other devices which effectively exclude our products; because our bargainers are less aggressive in defending our interests than are their foreign opposites and because after agreements are entered our Department of State is unwilling to insist on their enforcement.

The "efficiency" of many foreign producers consists only in employers' ability to maintain wage conditions which we discarded half a century ago. Even in thousands of plants modernized by the Marshall plan increased production has not caused appreciable wage increases and often wage ceilings are fixed by law, In some localities, including Morocco, the country with which I am most familiar. collective bargaining and participation in labor unions is illegal for 90 percent of the population.

Competition from these low-wage areas, especially where plants more modern than most of ours have been provided by United States funds, has a destructive impact on our enterprise and employment. Furthermore, the wage policies limit the workers' ability to purchase our goods even if they could be imported. This renders the most important objective of reciprocal trade unobtainable.

The foregoing problem undoubtedly has been presented by labor and industry representatives and I shall not elaborate upon it. The phase which I would like to bring to your attention has to do with the nullification of terms of agreements by which the United States benefits and our failure to obtain foreign concessions made in order to induce us to enter into them. Tariffs have become the least-important protectionist measure maintained by foreign nations against American competition. Restrictive licensing, quantitative quotas, bilateralism, and outright repudiation of agreements are common.

Dr. Henry Chalmers, tariff expert of the Department of Commerce, in a series of articles in the Department's publication, Foreign Commerce, beginning February 27, 1950, states that "There have been few basic changes in the structure of restrictive trade controls which since the war have come into use by the great majority of foreign countries." He further states that such controls are maintained by all but 8 "out of 85 foreign countries and colonies comprising most of the trading world."

In a chapter headed "The Protectionist Element in Import Restrictions" Dr Chalmers stated "Although such programs (import restriction) have often involved violation of existing commitments to other countries and discrimination in preferential import licensing according to source, they have usually been tolerated as emergency measures of temporary duration * * *.

"During the past year, however, the incidental temporary shields against competition accompanying such restrictions * * * are often coming to be regarded as vested rights." He states that efforts to relax such restrictions "have been meeting considerable resistance from domestic producing interests, which for several years have enjoyed exceptional protection from competition." Dr. Chalmers concludes the first article, stating, "This tendency toward unwarranted use

of import restrictions for protective purposes is among the subjects to be considered at the meeting of the contracting parties to the General Agreement on Tariffs and Trade, which is to open at Geneva in late February." There has been no amelioration which benefits the United States.

An article published by the Economic Cooperation Administration confirms this tendency in France and her colonies as follows: "French business considers the French internal market as its patrolled hunting preserve. * * * It envisages extending this into French overseas territories, also establishing there preferential customs regimes, quantitative quotas, and all other devices which permit monopoly by the eviction of competition" (p. 23, ECA Paris Monthly No. 38, May 1950).

France has established effective embargoes on United States goods even in the autonomous protectorate of Morocco where she is committed by treaty to preserve an open door and to keep American trade and French trade on an equal footing. The net result is that France's share of Morocco's trade has increased from 34 percent of the total in 1938 to about 70 percent now. One of the most unjustified methods by which this program is carried out is a series of bilateral agreements with many nations including Argentina, Bulgaria, Hungary, Czechoslovakia, Rumania, Spain, and others. These bilateral agreements are in direct contravention of most-favored-nation treaties with the United States. In many cases they give essential products which we need to our enemies while taking in exchange articles which are banned as imports from the United States.

One of the most dangerous features of the Reciprocal Trade Act and other acts which permit executive personnel to conclude agreements with foreign nations is that the scope of these agreements is not narrowly defined. This leaves the possibility that our bargainers may include arrangements which should be the subject of treaties or which, in effect, conflict with or abrogate treaties already in force. This is extremely serious since the United States has accepted compulsory jurisdiction of the International Court of Justice at the Hague over all disputes arising out of agreements with UNO nations. An example of this took place recently in Morocco, where France set aside treaties with the United States and stated that it was doing so in compliance with the ECA bilateral agreement.

The legislators who passed the original ECA Act state that, even if they had the power, they had no intention of delegating the right to alter treaties, and the majority leader (Senator Lucas) contended that the law could not set aside a treaty. Nevertheless, France has brought suit in the International Court of Justice. If she is successful, this temporary agreement negotiated and signed by State Department representatives will have abrogated treaties without Senate action. The abrogation will be permanent although the bilateral agreement was intended to be temporary and one of the treaties is of indefinite duration.

Such arrangements result from an apparent resentment of constitutional treaty-making requirements which has developed of late in the Department of State. This seems particularly strong among the Department's economic personnel who seem to believe that they should be able to finally conclude commercial arrangements, even though such agreements infringe on treaty-making power of the Senate and Congress' right to regulate foreign commerce. An example of the change in view is Mr. Acheson's consent to set aside United States and Moroccan treaties. When this was first requested by France, Secretary Knox wrote:

"* * * as the adherence of this Government to such an agreement would seem to imply the modification of certain of its existing treaty rights, the consent to such adherence on the part of the United States involves the conjoint action of the treaty-making powers of this Government and our acceptance of the agreement in question could therefore be made only by and with the advice and consent of the Senate" (Foreign Relations: 1911 at 622).

This doctrine was upheld by the Department until 1949, when Secretary Acheson took the opposite view, claiming that he has the authority to set aside the the treaties by executive action and that:

"Assent by the Secretary of State is a matter of diplomatic as well as national concern. Consent may be granted upon the basis, inter alia, of what the President and the State Department believe will most facilitate accords with other countries as well as our own national well being. The factual foundation of the Secretary's action will frequently not be public or susceptible to judicial review." (See record Civil Action No. 3756–49, District of Columbia, District Court, October 4, 1949.)

Both in negotiating and in enforcing agreements our representatives are less vigorous than the foreigners with whom they come in contact. The latter have a sole, well-defined objective—to obtain the greatest possible volume of profitable trade for their respective countries. They are promoted, demoted, or dismissed

according to their success in attaining this objective. Our own representatives carry out a vague over-all program of increased world prosperity. In effect, they are judged by their superiors almost entirely on how well they please the foreigners with whom they come in contact.

So long as this condition continues American interests will never be effectively protected. Even Dr. Henry Chalmers, who wrote the articles condemning protectionism in the guise of exchange controls, entered into negotiations with Morocco which resulted in the unrestricted importation of tea, coffee, radios, and cigars fromdollar areas but set up an embargo on agricultural insecticides, cotton textiles, and lumber. His excuse was "necessity of exchange controls."

It was obvious that the plan was to exclude United States products which were sold in free competition and import those which were controlled by French agents or concessionaires. This situation makes it advisable to limit the scope of our negotiators' authority by legislation.

An example of failure to carry out treaty and trade agreements took place when France decided to set aside a treaty fixing the customs limitations and prescribing evaluation methods. Special assessments were applied to American goods and American importers were also required to pay two or three times as much duty as their French competitors for identical goods arriving on the same ship. The United States first protested these measures and insisted that refunds be made. France agreed to abandon the illegal collections but refused to make the refunds. The matter was settled by placing a new Foreign Service officer in charge, who wrote that "I personally feel that any adjustment of claims of this type against the customs should consider whether your firm actually sustained substantial damages owing to unjust valuations, the effects of which were in no way passed on to or sustained by the buyers of the merchandise." (Letter of July 7, 1950, from United States consul general, Casablanca, to secretary of American Trade Association of Morocco.) It is impossible for Americans to benefit by agreements limiting tariffs as long as our Foreign Service officers take the attitude that foreign nations may break them so long as they do not cause "substantial damages."

One of the worst practices in violation of our treaties is the exclusion of Americans as buyers of needed raw materials. France with one-third of our population controls a third more of the earth than we do. The controlled areas have raw materials which we need and should be able to buy in free competition.

I have friends who started a manganese mine in Morocco. In violation of treaties they were forced to sell their ore to France. After 2 years of fighting the ban was lifted. It has recently been reestablished as France has found that she can force us to buy her manganese steel by depriving us of the raw material. Similar tactics are depriving us of hides, grape residue for tartaric acid, several ores and many other raw materials.

Dr. Chalmers tells of the same tactics in British territories as follows:

"Measures were carried forward during the year (1949), especially in Africa, to organize the local producers in bodies designed to deal with the United Kingdom Government as the sole or main buyer of their export products" (p. 42, Foreign Commerce Weekly, March 6, 1950).

This policy must be stopped if we are not to be forced to depend on Europe for many finished products solely because we are denied the right to compete for necessary raw materials. The inequity of this is apparent when we remember that the British and French populations combined are only 60 percent of ours; that they control twice as much area as we do (excluding dominions and commonwealths) and that much of the development of these areas is attributable to our assistance.

The least we should do is to insist that our friends honor treaties assuring us equal treatment before granting them further concessions.

In order to obviate the possibility that treaties and other agreements will be set aside under this act, and in order to render the act more reciprocal, it is recommended that a new subsection be added to the current act to read as follows:

"(1) The terms of any treaty to which the United States is party shall remain in full force and effect until superseded by a new treaty ratified by the Senate unless, prior thereto it expires by its own terms.

"(2) On or before July 1, 1951, the Secretary of State shall prepare and thereafter keep current a list of all nations which are failing to comply with treaties or trade or customs agreements with the United States.

"(3) There shall be no reduction in custom duties below the rates prevailing on July 1, 1950, with respect to products produced in or imported from any country so long as such country shall be listed as required in paragraph (2)."

The statement about treaties was voted by the Senate as a rider to last year's Economic Cooperation Administration bill (p. 6567, Congressional Record, May 4, 1950) but was killed in conference.

To summarize:

Nations who benefit by tariff reductions under the current Reciprocal Trade Act are excluding United States products from their trading areas by quantitative quotas, discriminatory licensing, barter and other bilateral agreements, and other devices which effectively nullify benefits which the United States should gain under reciprocity.

By arbitrarily maintaining low wage standards, even where United States aid has furnished modern production equipment, many nations are curtailing the additional purchasing power which the Reciprocal Trade Act was intended to create.

The United States is being unfairly deprived of raw materials by two nations which, with 60 percent of our population, control twice as much of the earth's surface and vastly more of its raw materials as we control. This arrangement is intended to force the United States to purchase foreign finished products to the detriment of our home industry.

Many agreements stimulating United States trade and limiting tariffs have been arbitrarily set aside by foreign nations.

Many of the above abuses are in violation of treaties assuring the United States most-favored-nation treatment and setting up other safeguards to give our commerce equal treatment in foreign nations and their dependencies. As a rule such treaties were obtained when our Department of State's defense of our interests was more determined than it now is.

The Department of State has not been successful in enforcing treaties and other agreements which benefit United States trade and in many cases has condoned the setting aside of these agreements. This seems to stem from a current belief in the Department of State that it should be permitted to negotiate agreements with foreign nations, and from the fact that foreign negotiators are judged by their governments solely by their ability to further their national interests while ours can excuse their failures as being in the interest of "world recovery."

It seems reasonable at this time to restate the constitutional treaty-making provisions for the guidance of our negotiators and as a warning to foreign officials with whom they have contact. It also seems reasonable that we should not implement agreements to reduce tariffs for the benefit of nations which refuse compliance with treaties and other agreements by which the United States benefits.

It is believed that the proposed amendment will help United States negotiators obtain equitable treatment for United States interests and will contribute to making reciprocal trade reciprocal in reality as well as in name.

The Senate Must Recover Its Lost Powers in Treaty Making

(By Draper W. Phillips)

The extent to which President Franklin D. Roosevelt stretched his prerogatives in foreign relations threatened to relegate to a minor role, if not to obliterate altogether, the treaty-making powers of the United States Senate. In view of the great crisis which again threatens our country, it is high time that the Senate repudiated this type of unconstitutional dealing, and proclaimed to the world that treaties must be ratified by the Senate in the traditional manner in order to bind America.

During the war years nearly all foreign arrangements were handled as executive agreements, for which senatorial concurrence was not asked. In 1944 there were 74 executive agreements and only 1 treaty. This compared with 25 treaties and 11 executive agreements in 1930.

The Truman administration, far from repudiating this usurpation by the New Deal has done its best to perpetuate these agreements as a proper subject for Executive action. Most recently Secretary of State Acheson, on his own motion, and without reference to the advice and consent of the Senate, proposed that the fate of Formosa be decided by Russia, Communist China, Britain, and the United States, if they could get together within a year, otherwise by the United Nations.

Until the advent of the New Deal, the constitutional limitation on Presidential treaty-making power was well-known and accepted by American officials and foreign powers. William Howard Taft, while acting as envoy for the first Roosevelt, said that it was impossible for the President to enter into even an understanding without the consent of the Senate.

Even as late as 1940 the Attorney General in an opinion to the President, concerning the latter's right to acquire sites for naval and air bases from the British, indicated the limitation on the President in dealing with foreign powers. The Attorney General said that negotiations involving commitments as to the future are customarily submitted for ratification by a two-thirds vote of the Senate. He approved the President's power to act alone in this case only because the President was accepting a benefit without express or implied promise by the United States of any obligation to be carried out in the future.

Early in World War II, and before we had entered the conflict, President Roosevelt had frequent meetings with foreign rulers and diplomats who were not thus circumscribed in their diplomacy. Wallace McClure, lawyer and official of the Treaty Division of the State Department, bolstered the President in 1941 with the startling thesis, which he published in a large volume, that anything that could be done by treaty could also be done by executive agreement. Thus was Roosevelt launched on the series of private deals which have exposed us to the evils and dangers of communism.

Prof. Edwin Borchard, of Yale University, has been the most outspoken opponent of this new theory of Presidential omnipotence. Looking back to the origin of the Constitution, he saw its framers with their fear of powerful executives and secret diplomacy. They were careful that a treaty should reflect the mature sentiment of the people. The overwhelming weight of authority furnished by decisions of the Supreme Court and by Presidential action itself sustains those scholars who have defended the traditional method of treaty making.

Many question the feasibility of open negotiations in foreign affairs, claiming that the pitiless public glare would make compromise difficult if not impossible. This, of course, is true, but negotiation is entirely a different thing from a secret agreement. If and when secrecy is necessary in concluding a treaty under the American system, the Senate can collaborate in secret as it has done on several occasions in the past.

Senator KERR. Mr. Ruttenberg. What is the length of your statement, Mr. Ruttenberg?

Mr. RUTTENBERG. Well, the statement itself would take about 10 minutes if I read it all.

Senator KERR. You come right on. I want to ask you one question. I think we can get through with yours, and I would hope we can hear Mr. Kant if it is possible. I would like to know your views on the House floor amendment. Is that set forth in your statement?

Mr. RUTTENBERG. It is not set forth in the over-all statement which I am presenting, but I would be prepared to discuss the House amendments if you so choose. I would suggest as a matter of record we include my statement as it is in the record and I would waive the reading of it. Our views in the CIO are well known.

Senator KERR. No; I want you to make such statement as you desire, and I would appreciate it if you would briefly give us your views on the House amendments.

STATEMENT OF STANLEY H. RUTTENBERG, DIRECTOR OF THE DEPARTMENT OF EDUCATION AND RESEARCH, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. RUTTENBERG. Generally speaking, the views of our organization on the House amendments are pretty clear. We are, generally speaking, in disagreement with the major amendments, the peril point and the escape clause amendments, as introduced in the House bill.

I should be glad to elaborate on the reasons thereto, if you so choose.

Senator MILLIKIN. Are they set forth in your statement?

Mr. RUTTENBERG. They are not set forth in the document.

Senator KERR. I wonder if you would give us an addendum to your statement setting them forth for the record?

Mr. RUTTENBERG. I would be glad to.

Senator KERR. Fine.

Mr. RUTTENBERG. In the escape clause concept, we feel that an escape clause in reciprocal trade agreements is an essential feature of such agreements. We have been pleased with the fact that in the GATT agreement escape clauses have been incorporated in terms of the Executive order issued by the President, requiring that such escape clauses be incorporated.

Senator MILLIKIN. Are you in agreement with the escape clauses as they have been incorporated?

Mr. RUTTENBERG. We are in agreement with the escape clause in terms of its stating that if tariff concessions cause or threaten to cause serious injury to American industry consideration should be given to the invoking of the escape clause.

Senator MILLIKIN. Do you favor that part which limits the remedy to unforeseen injuries?

Mr. RUTTENBERG. Well, the escape clause itself, as I understand it, relates specifically to causing or threatening to cause serious injury, at which point an industry can present, or other individuals can present information to indicate why it is suffering a serious injury or why there threatens to be a serious injury. At that point a determination is made.

Senator MILLIKIN. The relief is limited to unforeseen injuries. Do you favor that part of it?

Mr. RUTTENBERG. Yes, I should think so, very definitely.

Senator KERR. Do you think that those which are foreseen should be taken into consideration at the time the agreement is made?

Mr. RUTTENBERG. It has been my general feeling that, generally speaking, foreseen considerations have been taken into consideration through, first, the Committee for Reciprocity Information, and then by our negotiators at the various conferences that have taken place.

Senator MILLIKIN. Assuming in those steps you have just mentioned that an injury was foreseen and calculated, would you say there should be no escape from that?

Mr. RUTTENBERG. If an injury was foreseen and calculated, and if actual evidence indicated that an industry would suffer seriously from a reduction in tariff, then that factor should be taken into consideration. But I think, generally speaking, where I would disagree, Senator Millikin—because we have discussed this in the past before this committee—is as follows even though a specific injury may be caused to an industry by a direct concession, that in itself is not sufficient reason to deny a concession or to refuse to make a concession, because very frequently when concessions are made on a specific item, that tends to create the competitive concept, which all of us in America want to see become very prevalent and very active. It forces industry and corporations and companies to engage in the kind of technological development that reduces costs to make them more competitive so that it may compete with this item brought in from abroad as a result of a reduction in the tariff.

Senator MILLIKIN. As a boil-down of that, would you say that if the injury has been foreseen, has been carefully calculated, let us assume in return for beneficial concessions, you would be willing that the foreseen injury could be taken into consideration; is that correct?

Mr. RUTTENBERG. I think it would have to be a very serious situation in which an industry is threatened. The data should unquestionably and unequivocally indicate that this is what is going to happen. And if it does, then that should be taken into serious consideration in the negotiations.

Senator MILLIKIN. Let us assume that there was a clearly foreseen injury as a result of a given concession. Let's assume that was clearly demonstrated. You would not favor an escape from that kind of an item?

Mr. RUTTENBERG. I do not understand—not favor an escape from that?

Senator MILLIKIN. I am only talking about escape. That is the words of the escape clause—the injury has to be an unforeseen injury. In other words, if it is a foreseen injury, I assume, because you are getting a compensating benefit somewhere along the line, in that kind of a case you would not apply the escape clause; is that correct?

Mr. RUTTENBERG. Personally I think each case has to be considered on its own merits. It is very difficult to talk in generalities about whether or not an escape clause should be applied to a foreseen or unforeseen development. I think we have got to see the specific facts in the situation, see what concessions were made in relation to it, and determine the results.

Senator MILLIKIN. Well then, if the law says—and that is what the law says—in order to have relief it must be an unforeseen injury——

Mr. RUTTENBERG. Are you talking about the escape clause?

Senator MILLIKIN. I am talking about the escape clause and the law. I am talking about the part of it which I do not consider to be law, consisting of the President's Executive order on the subject and the provisions of GATT on the subject. Both include the limitations that the relief must be limited to unforeseen injuries. I am asking a simple question, that if the injury has been foreseen, for whatever reason, and assuming a case is made, do you not believe that escape should be given in that kind of a case?

Mr. RUTTENBERG. Again I would say, to answer as best I can, I think it should be given consideration in the application of the escape clause. In other words, if you are saying, would I support an alteration to the present escape clause which says that unforeseen as well as foreseen factors will be taken into consideration in determining the applicability of the escape clause, I would say "Yes."

Senator MILLIKIN. The escape clause should apply to both foreseen and unforseen?

Mr. RUTTENBERG. Factors relating to it should be taken into consideration.

Senator MILLIKIN. Taken into consideration. Is it going to be the application of both foreseen an unforseen injury? Is that going to be something to be taken into consideration, or is it to be a mandate of either law or Executive action?

Mr. RUTTENBERG. Let me just point out that under the escape clause as drafted in the House there are criteria set up that determine how to judge a threatened serious injury.

Senator MILLIKIN. That is right.

Mr. RUTTENBERG. It relates—I think the wording is "any reduction in employment or production in an industry."

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. Well, I think that kind of language is exceedingly dangerous. I will give you an example out of our own field, which applies to peril point in terms of our own trade-unions.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. If you have a strike situation, employment and production is curtailed. Should that be a factor taken into consideration to grant the escape clause?

Senator MILLIKIN. There is nothing exclusive. There is no exclusive criteria in the House amendment. I am not talking about the House amendment. I have in mind what could be done on the subject that might be agreeable to you as well as to other critics. I think you have said that from your standpoint, your own standpoint, that there should be provision for an escape even though the injury has been foreseen. Am I correct in that? That is all I am driving at.

Mr. RUTTENBERG. Let me just restate the question because I do not want any confusion.

Senator MILLIKIN. That is all right. I want you to understand it thoroughly.

Mr. RUTTENBERG. If you mean to say that if a case is made relating to a foreseen situation——

Senator MILLIKIN. Yes.

Mr. RUTTENBERG (continuing). And that such a foreseen situation per se is sufficient reason to involve the escape clause, I would say "No." But if you are saying that foreseen considerations should become a factor in determining whether or not the escape clause should be invoked, I would say "Yes."

Senator MILLIKIN. All right. Would you say this? Company X comes in and shows—let's assume it makes a case, shows serious injury. Do you think there should be a defense in that case on the ground that the injury was foreseen?

Mr. RUTTENBERG. I think they should be able to make that as one of their arguments in the case.

Senator MILLIKIN. And if they should make that stick, the appliant should not be denied relief because of that unforeseen provision in the Executive order and in GATT? In other words, that should not automatically bar them from relief?

Mr. RUTTENBERG. It should not automatically bar them.

Senator MILLIKIN. All right. So that if language were put in here that would clear up that question, that would make it clear that relief may be given both for an unforeseen or foreseen injury, you would have no objection, would you?

Mr. RUTTENBERG. That ought to be part of the escape clause?

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. I am not so sure that the excape clause should be written specifically into the legislation as contrasted to the Executive order determination.

Senator MILLIKIN. One or the other effective place along the line that should be made clear, either by Executive order or by legislation; do you agree with that?

Mr. RUTTENBERG. That it is a factor which should be taken into consideration; but you should not grant the escape clause because of this factor per se.

Senator KERR. What you are saying is if there is no other factor, then it should not be sufficient to justify an escape?

Mr. RUTTENBERG. That could well be one of the interpretations placed upon what I am saying.

Senator MILLIKIN. You are also saying that if injury is demonstrated that escape from the injury should not be denied on the ground that the injury was foreseen. Are you saying that?

Mr. RUTTENBERG. If a good case is made on all the rounded factors, that is what I am saying.

Senator MILLIKIN. So you would have no objection at some effective place along the line to making that clear?

Mr. RUTTENBERG. That is right.

Senator MILLIKIN. All right.

Mr. RUTTENBERG. As long as we understand ourselves on the distinction.

Senator MILLIKIN. I think we do now. If you have any reservations, I wish you would state them.

Mr. RUTTENBERG. I have tried to state them, Senator; you have tried to put other words around them.

Senator MILLIKIN. You have very ample talent for accurate statement, and I am not trying in any way to twist you, because I know that I could not.

Now let's take another section of the escape clause. Both in the Executive order and in GATT it takes an increase in imports to provide a proper condition precedent to relief. Will you not concede that under a certain condition that could be imagined in our economy, that less than an increase in imports could seriously injure American industry?

Mr. RUTTENBERG. On that I can answer categorically. I do not agree with the position you have stated. I think that our failure to maintain high levels of full employment and production in this country is no excuse to back down on a concession we have made on an international field because that is, in effect, saying to the countries throughout the world if we fail to maintain job opportunities for all our workers and production for all our consumers, we are not going to continue to deal with them on the international field. I think that is bad diplomacy.

Senator MILLIKIN. All right, let's get back to the question of injury. Do you concede that a domestic industry could be seriously injured by imports even though the imports did not represent an increase in imports?

Mr. RUTTENBERG. Not to any great extent, Senator; not sufficiently to invoke an escape clause in the main.

Senator MILLIKIN. Would you say that under no conceivable circumstances that such an injury, serious injury, could not occur?

Mr. RUTTENBERG. Your words "under no conceivable circumstances" is contrary to the way I put it. I said, specifically, I thought, in answer to your question, that certainly in the main such would not be the case, but in a specific instance you might have a situation in which that occurs.

Senator MILLIKIN. Let's bring it down then to a case. Assume that an industry X comes in and makes a case that the imports that are coming in, whatever they may be at the time, are seriously injuring that industry. Assume that it makes that kind of a case. Would you deny escape on the ground that they could not show that the injury was due to an increase in imports?

Mr. RUTTENBERG. My own personal feeling would be "Yes," generally speaking.

Senator MILLIKIN. Is that the opinion of your organization?

Mr. RUTTENBERG. A specific question like this, of course, does not come up in such specific terms for the organization's consideration, but our general point of view would bear it out.

Senator MILLIKIN. That is a fair answer. You think the general point of view of your organization would be even though an industry should show injury—and let's assume that it made a case that could not be denied—assuming that, that if an industry came in and made a case that injury was occurring due to the quantity of imports, whatever that might be, whether more or less than in the past, you and your organization would not favor the invocation of the escape clause?

Mr. RUTTENBERG. That is right. The general views of my organization are that concessions made on items imported into this country are an important factor in developing an over-all international trade which encourages exports from this country, which, in turn, create job opportunities within our economy to absorb those workers who may be affected by a specific situation in a specific industry or a specific segment of a specific industry.

Senator MILLIKIN. And by the token of reciprocity, the foreign countries to which we export should be equally solicitous so far as the same philosophy is concerned. Would you say that is correct?

Mr. RUTTENBERG. I assume that when they grant concessions on our exports, they are taking that into consideration as a factor.

Senator MILLIKIN. You are aware of all of the bilateral agreements, the export and import licenses, the monetary controls and so forth and so on, which enable them to do exactly as they please as far as our exports are concerned?

Mr. RUTTENBERG. Well, we have not engaged in any bilateral agreements, particularly speaking.

Senator MILLIKIN. That is exactly what I am talking about. The other fellow has. He has engaged in over 300 of them, which diminish the field into which our exporters can get on an equal basis with others.

Mr. RUTTENBERG. But yet, as I understand it, through the reciprocal trade agreements program we have received concessions on our exports to the extent of approximately 80 percent of our total exports.

Senator MILLIKIN. Assuming that you have——

Mr. RUTTENBERG. We have received concessions.

Senator MILLIKIN. If that were true and you did not have to consider anything else, that would seem to be something of value to us, would it not? But if that is all negated or negated substantially by the type of import restrictions to which I have referred, what is left of importance?

Mr. RUTTENBERG. Of course, one of the big things which we are trying to do through our ECA program, through the point 4 program, and overseas, is to attempt to encourage this kind of multilateral trade which enables all countries to participate.

Senator MILLIKIN. So we are not trying to encourage quotas, we are not trying to encourage British preferences, we are not trying to encourage monetary controls, which have the equivalent of tariff

controls, we are not trying to encourage import and export licenses. Those are the things we are not trying to encourage, are we?

Mr. RUTTENBERG. No, sir; but I understand through our reciprocal trade agreements program we have been able to secure from many countries, including Great Britain, reductions in preference to her Empire countries.

Senator MILLIKIN. And that is all, not the elimination. And I could bring your attention to records of past hearings where a State Department witness has said, "Unless we can get rid of the British preferences, we are just proceeding"—I am speaking in effect now—"on an empty theory." They have not gotten rid of them, nor have these other barriers been gotten rid of.

Mr. RUTTENBERG. But let's consider the basic factors. You would not want to eliminate overnight something which took centuries, really, in the Biritsh Empire to build up. It is a slow progressive process. And if we have made success in the past 17 years of this program in reducing some of the preferences—not eliminating them but in reducing some of the preferences—within the colonial system, we have made progress, which progress should not be turned backward.

Senator MILLIKIN. If the progress has not been offset by other restrictive devices in the British Empire and elsewhere, I would say you might have a point.

Mr. RUTTENBERG. Within the British Empire?

Senator MILLIKIN. Any place.

Mr. RUTTENBERG. Canada, Australia, and England itself—many items have been put on the free list for us. Is not that progress?

Senator MILLIKIN. It is progress if that progress is not offset by other things done at the same time, such as bilateral agreements, such as regulation of monetary licenses, such as quotas, such as quantitative restrictions of all kinds, and so forth and so forth.

Mr. RUTTENBERG. Let me put the problem this way: The bilateral agreements that have been negotiated in the postwar period, have come about because of economic circumstances within those countries which are almost directly attributable to the war situation, in which they lost their productive facilities and they have suffered immeasurably. Now you are saying that because these countries are attempting to do something in an intermediary step to help them get through this postwar emergency problem, we should take a step that completely knocks in the head any attempt to help them solve their very serious problems, which must be solved if we are going to have a successful program.

Senator KERR. Would you not think it for our ultimate benefit for them to solve those problems?

Mr. RUTTENBERG. For them to solve them; yes.

Senator MILLIKIN. I think the question you posed to me consists of several parts. No. 1: There is no question but that the war and the aftermath of war has intensified the economic problems of these nations and has intensified the need for them to protect themselves. I think that is perfectly obvious.

No. 2: Perhaps a part of their difficulties is due and inherent in their own systems of government. You cannot have a controlled economy at home without controlled international relations. Do you agree with me on that?

Mr. RUTTENBERG. I do not agree with you if you mean to imply from your statement that we should fail to grant concessions to countries because they happen to have some form of government which is different from ours.

Senator MILLIKIN. The only reason I would not grant a concession to a foreign country is because it would be an injurious concession, or that it would not be truly in substance a reciprocal concession.

Mr. RUTTENBERG. Well, if—for example, we have received a concession on the export of automobiles.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. And upon machine tools.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. Or possibly some major agricultural item.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. If we receive a concession on an item imported into the United States, as a result of our granting this other concession I would say that it is to the over-all benefit of the economy as a whole, even though some individual segment might suffer an intermediary result which was unfavorable.

Senator MILLIKIN. I would suggest to you that it could be to the benefit of the over-all economy, but I would suggest to you also that if the substance of the concession is negated by actions of the type that I am talking about, you have nothing but an empty result.

Mr. RUTTENBERG. Except, Senator, I cannot quite seem to understand the consistency of that position. We have had in America many, many developments, technological developments, which have resulted in causing serious injury to particular communities, particular industries, and particular corporations.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. We have said—I know our organization has said that we should encourage all such technological developments because, even though they might cause a temporary displacement of workers, or a temporary displacement of a community's facilities, in the long run they are for the benefit of the whole economy.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. Now I can see no difference between a corporation's board of directors making a decision in secret to install a particular technological development which results in unemployment, which results in community displacement, and a decision by negotiators at Torquay or Annecy or Geneva, or any place else, to make a concession which, as an immediate result, might cause a disruption of a group of workers, disruption of a community, but in the long run would result in benefit to the economy as a whole.

Senator MILLIKIN. You have made your own distinction. One distinction is those injuries which result from technological progress. Are our negotiators, negotiating a reciprocal-trade agreement, masters of technological progress of this country?

Mr. RUTTENBERG. But the granting of a concession in a negotiation at any GATT negotiations could well result in the reduction of a tariff that would cause an immediate injury to a particular segment of an industry.

Senator MILLIKIN. That is exactly what we feel.

Mr. RUTTENBERG. Now at that point, the industry is forced to engage in the kind of thing which America has been famous for over

many years—the development of a competitive economy, the reduction of costs, the installation of technological developments that will make it competitive.

Senator MILLIKIN. Do you see a distinction between injury that may occur in this country through our own economy and an injury inflicted by negotiators at a trade agreement conference?

Mr. RUTTENBERG. If we were to adopt a completely isolationist foreign economic policy, I would say "Yes."

Senator MILLIKIN. No one is suggesting that.

Let me come back to my question. I think it is a fair question. You have tried to put technological progress which occurs in this country out of the nature of our economy on a parity with the same kind of injury that might be inflicted by our negotiators, and I am asking you whether there is not a basic distinction between the two things.

Mr. RUTTENBERG. Let me put the question back to you. I said "No." Let me give you a specific example. Up in the Northern Peninsula of Michigan there was an area back in mid-1949 that had chronic unemployment, a serious unemployment situation. In that area there was a plant of a major corporation that could produce a specific item. The corporation of its own decision took and moved that plant to another area in the State of Michigan where there was a shortage of employment. That aggravated the economic situation in the first particular city.

Senator MILLIKIN. Yes.

Mr. RUTTENBERG. Now I say that I think that kind of a decision goes on in the American economy day in and day out, and when those decisions are made we raise no particular objection to them, although we should, in terms of adequate planning and adequate operation of the economy.

Senator MILLIKIN. Take the very case that you cite. You see no distinction between the economic forces that induce that decision, whatever the forces may be, that induce that decision in this country, and the decision of some negotiators over at Annecy or Torquay to achieve the same kind of a result. You see no distinction?

Mr. RUTTENBERG. In the main I see no distinction because those negotiators over there are faced with two problems: First, getting concessions for our own American industries to increase our own exports and to increase our own employment and production opportunities in this country; second, attempting to make concessions which will enable a particular country to build up its productive facilities so that it can export to us items, earn dollars on it, which, in turn, enables them to buy our American products—machine tools, our automobiles, our farm implements, our agricultural products, which are so essential. In other words, we have to develop this international trade. This kind of trade cannot be developed if every time a specific instance comes up that does injury to a segment of American industry we deny the concession and we say it ought not to operate. How are we ever going to develop this export trade which is so essential to American industry?

Senator MILLIKIN. That, Mr. Witness, is exactly what is supposed to happen under the Executive orders and under GATT. If there is injury to a particular industry, it should be redressed, aid should be available.

Mr. RUTTENBERG. Serious injury.

Senator MILLIKIN. Serious injury. It seems to me you have reversed yourself in that field.

Mr. RUTTENBERG. I have not. I said serious injury. What I am referring to is where a specific situation could over a period of time result in general gain to the economy as a whole, it is to the benefit of the economy for that to occur.

Senator MILLIKIN. I think it is very clear in this and other testimony that you believe if there is a general over-all benefit to the economy by making concessions, even though there is injury—call it serious injury. When I speak of injury, I am speaking of serious injury all the time— that you are willing to take the injury; is that not true?

Mr. RUTTENBERG. Let me point out——

Senator MILLIKIN. Let me ask you, did I make a misstatement in stating that?

Mr. RUTTENBERG. Let me answer it by referring you first to the language of the escape clause in the House, where it says in an amendment, "that any downward trend of production, employment, and wages in a domestic industry" should be taken as evidence of utilization of the escape clause.

Senator MILLIKIN. Is that exclusive criteria?

Mr. RUTTENBERG. It is one of those which were set up in the escape clause, and I think an exceedingly bad one.

Senator MILLIKIN. It is not exclusive.

Mr. RUTTENBERG. No.

Senator MILLIKIN. There is no direction how much weight should be given to it, is there, but it stands in there as an implication of the determination of Congress to say that if a downward trend occurs, this is an important factor to take into consideration.

Mr. RUTTENBERG. It is something to be taken into consideration, but you might get a downward trend resulting from a strike situation or any kind of another situation that ought not to be taken into consideration.

Senator MILLIKIN. There are three or four of them in there, and then there is broad language to consider anything else that may be pertinent. Is that not correct?

Mr. RUTTENBERG. If there were general language in an escape clause that came very close to the escape clause in the Executive order, personally I see no reason why it could not be in legislation as well as the Executive order.

Senator MILLIKIN. What I have suggested to you—you have taken up section 8, which I have not taken up yet. I am not questioning you about section 8. You have suggested, I believe, that if a serious injury results to a definite segment of your industry, but that if the over-all benefit to our national economy is enhanced, you would oppose granting relief to that specific segment of industry.

Mr. RUTTENBERG. Generally speaking, I would agree with you.

Senator MILLIKIN. That answers my question. That, I suggest, is not in accordance with either the Executive regulations or with GATT or with the Reciprocal Trade Act.

Mr. RUTTENBERG. I would disagree with that conclusion which you draw, Senator Millikin.

Senator KERR. All right, Mr. Ruttenberg. Is there anything further that you want to say other than the inclusion of your statement in the record?

Mr. RUTTENBERG. No, sir; not unless there are further questions.

Senator KERR. We certainly thank you for your appearance and appreciate what you have contributed.

Mr. RUTTENBERG. Thank you.

(The statement submitted by Mr. Ruttenberg reads, in full, as follows:)

STATEMENT OF STANLEY H. RUTTENBERG, DIRECTOR OF THE DEPARTMENT OF EDUCATION AND RESEARCH, CIO

I am happy to have an opportunity to present the views of the Congress of Industrial Organizations on the matter of reciprocal trade agreements. The CIO has supported the reciprocal trade-agreements program for many years. The reasons for this support are, therefore, sufficiently well known to make a detailed restatement at this time unnecessary.

The CIO has always regarded this program as a highly important forward-looking step in achieving a sound framework of international economic relations. The expansion of world trade on a sound economic basis is an essential element in the structure of a healthy world economy. The American worker has long recognized that his own welfare is intimately related to the welfare and living standards of workers elsewhere in the world. It is clear to the American worker that his own high standards of living cannot long remain immune to the pressure of low standards of living and economic frustration in the world around him. The reciprocal trade-agreements program represents an important cornerstone in this country's foreign economic policy which is designed to stimulate world trade and production, economic development, and ultimately to raise living standards everywhere. The CIO stands steadfast in its support of these objectives, and has consistently supported this and other programs for world economic development.

Certainly, the importance of stimulating world trade is as clear today as it has been in past years. The purpose of the reciprocal trade agreement program has been to spread the benefits of competitive international trade among the countries of the world by reducing the artificially erected barriers to trade which sprang up during the interwar years. By facilitating the sale in this country of goods manufactured abroad, the program permits the other countries to secure the means with which to purchase on a businesslike basis the American products which they need not only for their own reconstruction but to maintain and improve their standards of living. The effect of the program has been to expand our foreign trade and to reduce the price to the American consumer of certain products which may have been even higher if there had been no trade agreements program. To the extent that the program has permitted foreign countries to broaden their markets and give them more dollars with which to buy American goods, it has reduced the need for American grants and loans for their economic development.

From the standpoint of the American economy, the program has had decidedly beneficial effects. Approximately 10 percent of our total industrial and agricultural production is exported abroad, but these exports are centered in vital segments of our economy. Exports take from 10 to 20 percent of our agricultural machinery, bituminous coal, freight cars, motortrucks, machine tools, radios, etc., and therefore account for a significant proportion of job opportunities in these industries. Imports have been equivalent to about 5 percent of our total production. They have consisted chiefly of raw and semifabricated materials used by domestic manufacturers in the further production of manufactured goods. They include such essential materials as copper, lead, zinc, chrome ore, manganese ore, wood pulp, natural rubber, etc. All of these materials enable our manufacturing industries to operate at a high level and at reasonable costs. Imports on manufactured products are relatively small compared to total imports. The productivity and efficiency of American industry has nothing to fear from foreign competition.

II

Apart from these more direct and obvious economic considerations of enlightened national self-interest there are special reasons—equally compelling—why the Reciprocal Trade Agreements Act should be renewed at this time. These reasons flow from the realities of the existing critical international situation and the ideological struggle in which the free nations of the world now find themselves engaged. The CIO recognizes that we are in the struggle together and we will

stand or fall together. Consequently, in recent years we have become increasingly alert to our responsibilities, as a free and democratic trade-union organization, in international affairs. We have been playing an increasingly active role in cooperation with the other free and independent trade-unions of the world not only in defense of our own democratic traditions and institutions, but in encouraging the growth of free democratic institutions in many other parts of the world. The interests of the CIO, and of United States labor generally, have greatly expanded in scope, from a relatively limited area of job consciousness at home to one of international cooperation in achieving mutual objectives. Important evidence of American labor's increasing international consciousness may be found in the leadership and responsibilities which it assumed in the organization and development of the new International Confederation of Free Trade-Unions over a year ago. This relatively new organization has already made noteworthy progress in marshaling the strength of democratic trade-union forces toward assisting the workers of the free world in their struggle to fight off Communist domination and control.

This international consciousness of American labor has been reflected in many ways. It has proved itself most effective and influential in the field of international economic cooperation. The reciprocal trade program, together with such other economic assistance programs as ERP and point 4, has been an inspiring symbol of the United States Government's genuine interest in the economic welfare and development of the free world and of its determined effort to maintain world peace. While perhaps less spectacular than many of its companion programs, thereci procal trade program is nevertheless of the utmost importance in this connection in the light of its long-run economic and political implications. It is for these reasons that its renewal is especially important at this time. Continuation of the program is essential if we are to maintain the confidence of our neighbors and allies in this Government's sincere desire to assist them on the road to economic progress. Failure on the part of the United States of America to renew the program is likely to be construed abroad as evidence of this Government's apathy— and perhaps even antipathy—to the basic needs of other peoples. It therefore might well tend to undermine the trust of the free world in our willingess to assist them and jeopardize our position of leadership and ability to carry with us, as allies, many important segments of world opinion. Under such conditions American labor would find seriously impaired its own efforts to work effectively with the free trade-union forces throughout the world in support of sound international programs and policies. The long-term objectives of our national policy clearly require that we continue to foster economic growth and expansion in the world about us while we at the same time develop the military strength necessary to us and our allies at this critical juncture.

III

Just a word about the structure and administration of the Reciprocal Trade Act:

The act contains various safeguards. First, the President, before making an agreement must obtain the views of the Departments of Agriculture, Commerce, the National Military Establishment, and the Department of State (and, under the Executive order, the Departments of Labor and Treasury) to obtain advice on all espects of the problem Second, before making an agreement, public hearings must be held at which all groups have full opportunity to present their views. Through the mechanism of the Committee for Reciprocity Information, American labor has taken advantage of the opportunity in the past of making its views formally known to the Government. Third, the escape clause in the act which says that if, as a result of a tariff reduction, imports of a particular product should enter the United States in such abnormally increased quantities as to seriously injure or threaten domestic producers, the tariff concession may be withdrawn. Fourth, the act provides that the United States may not reduce its tariff rates on any item below 50 percent of the rate existing on January 1, 1945. These safeguards, in the view of the CIO, are adequate to deal with special problems which may arise under this program and have on the whole proved satisfactory in safeguarding the interests of American labor. Certainly the CIO would view with great concern the prospective return to the pre-1943 method of tariff regulation. We therefore urge that the authority to continue the reciprocal trade agreements program be extended.

Senator KERR. Mr. Kant, how long will you take to give us the benefit of your views, sir?

Mr. KANT. It will take only a few minutes, Senator.

Senator KERR. Fine. I want to say that there are two other witnesses, Mr. Riggle and Mr. Garstang, both of whom are local, and our time will not limit us to go beyond the hearing of the present witness, after which the committee will recess.

Proceed, Mr. Kant.

STATEMENT OF R. M. KANT, PRESIDENT, HAMILTON WATCH CO., LANCASTER, PA.

Mr. KANT. Gentlemen, my name is R. M. Kant, and I am president of the Hamilton Watch Co., of Lancaster, Pa. I appear before you representing the Elgin National Watch Co. and the Hamilton Watch Co.

Earlier in the week, this committee heard testimony from Walter W. Cenerazzo, who spoke for the employees of the domestic jeweled-watch industry. In view of his appearance, much that I might say would be repetitious. Therefore, I will file my prepared statement and only summarize briefly.

Senator KERR. Your statement will be inserted in the record.

Senator MILLIKIN. Are you representing both watch companies?

Mr. KANT. Yes.

Senator MILLIKIN. But one company does not control the other?

Mr. KANT. There is no connection between the two companies, except we are both members——

Senator KERR. You do have the same viewpoint with reference to the testimony you are about to give?

Mr. KANT. Sir?

Senator KERR. There is no connection between the two companies ownershipwise, but in matters insofar as this hearing is concerned they are of a common attitude or viewpoint with reference to the question before us?

Mr. KANT. That is correct. We are the two members of the jeweled-watch industry that are still actively manufacturing jeweled-watch movements in the United States. The third who is in a position to do it, Waltham, is in reorganization at the present time and are not included because for that reason we felt the burden should be carried by us.

Senator KERR. Yes.

Mr. KANT. Since the industry's last appearance before this committee, Senator George appointed a subcommittee to study the condition of the industry. I would like to express our sincere appreciation for this consideration. While we are unable to report at this time any specific correction of the inequitable situation, some progress has been made in the right direction. Generally, the committee has been helpful in clearing away some of the confusion which has been deliberately introduced by the importers in their efforts to maintain an unfair commercial advantage that was not intended either by Congress in 1930 when the Tariff Act was written or by the State Department when the 1936 trade agreement was negotiated with Switzerland.

A specific accomplishment that I feel would have been most difficult without the active interest of this committee was the insertion of an escape clause in the Swiss Trade Agreement. In accordance with the

established procedure, our industry has filed an application for relief from developments that certainly could not have been foreseen in 1936. Our case is so outstandingly apparent that we feel favorable consideration will be given by the Tariff Commission to the extent that their authority permits.

Our optimism is partially based on the fact that the problem with watch-movement manufacturing is a simple one in comparison to many tariff problems which the Tariff Commission is compelled to study. There is only one factor in comparing the cost of domestic and imported watch movements that is of any importance. That cost is labor. There is no volume of and practically no cost of material, and transportation is not a factor. I would suppose there are very few cases of tariff investigation where the problem is not a great deal more complicated.

There has been a second accomplishment during this past year that I think can also be credited to the interest of this committee. I refer to the establishment—once and for all—(I hope) of the national security importance of the industry. The chairman of the Munitions Board has settled this question in a letter to this committee. Even the watch importers admit this fact. In their statement last month to the Ways and Means Committee, they said: "There is no question that the domestic jeweled watch industry is essential to the defense of this country in time of war." It is perfectly clear that a larger domestic industry is in the interest of our country.

We have been accused of acting purely out of selfish motives. But our suggestions for strengthening the industry have certainly been modest. We do not want an embargo, a quota, or a subsidy. We have asked only for an adjustment in the tariff sufficient to offset the wage advantage that Switzerland possesses. That would increase competition between the foreign and domestic industries, and competition is always good for the consumer and dealer alike.

It is not just a question of sales, dividends, or injury to an industry. It is not just a question of our loyal and skilled employees for whom Walter Cenerazzo spoke so eloquently earlier in the week. The problem is truly one of national security itself. With the increasing tempo of modern warfare, timing becomes constantly more important. Where a military requirement develops in small mechanical instruments for greater accuracy or for performance over a much wider temperature range, the problem can be handled best, if not only, by the research development and engineering staffs of the horological industry. The mass production of these instruments after they are developed will have to be in this same industry. The industry, geared at present, to take care of less than one-third of peacetime watch requirements, is dangerously small. I hope that this committee will show a continuing interest in this problem.

Senator KERR. Mr. Kant, we thank you for your appearance, and we want you to know we do have a deep interest in your industry and it will be much before us as we go along.

Mr. KANT. Thank you, Senator.

(The prepared statement submitted by Mr. Kant and a statement of the National Farmers Union in lieu of the personal appearance of James G. Patton, president, read, in full, as follow:)

STATEMENT OF R. M. KANT ON BEHALF OF ELGIN NATIONAL WATCH CO. AND HAMILTON WATCH CO.

Mr. Chairman, Members of the Committee, my name is R. M. Kant, and I am president of the Hamilton Watch Co. of Lancaster, Pa. I appear before you on behalf of Hamilton Watch Co. and Elgin National Watch Co.

At the outset I would like to take this opportunity to record our appreciation for the work of the subcommittee which was appointed last year by the chairman of this committee, Senator George. The interest of that subcommittee in the conditions of this industry and its efforts to obtain some action was, we believe, responsible for the insertion of an escape clause in the Swiss Trade Agreement last October.

It is not our purpose to support or oppose the extension of the Trade Agreements Act. We appear only because we know that this committee is genuinely interested in the effect of the program on the Nation's welfare as a whole and because we believe that this can best be determined by submitting to you evidence of the impact of the program on specific industries.

There has been much testimony about the effect of this program upon international political affairs, world economic problems, and the general economic conditions of the United States. We speak only upon the one specific question about which no one is so well qualified to speak as ourselves—the effect of the trade agreements program on the domestic jeweled watch industry.

We feel it is particularly important to appear before you because the Committee on Ways and Means of the House, whose reports are available to you, has heard some very misleading statements about the domestic jeweled watch manufacturing industry, both from representatives of the Government and from the watch importers.

At the hearings of the Committee on Ways and Means, the Secretary of State was asked whether the watchmaking industry of this country has been greatly benefited by the trade agreements (hearings, p. 98). To this he replied, "I think it has been benefited. We can discuss that question at great length. I have heard the watch companies are selling more watches than they have ever sold before; that people who were not making watches in the United States are now making them. I think there has been a very good record."

This statement cannot go unchallenged. It is based in large measure on the representations and propaganda of the importers of Swiss watches. An examination of the facts will show that instead of benefiting, quite the opposite is true. The domestic watch industry has not benefited. It has been seriously injured through the trade agreement which was made with Switzerland in 1936.

The facts show that the domestic watch industry is operating under such a disadvantage in relation to the Swiss industry that it can operate profitably only under abnormal conditions. The Waltham Watch Co., which is now in its second reorganization in 2 years and operating on a very limited basis, need not be the only illustration. The postwar record of the Elgin and Hamilton companies is additional evidence.

Over 30,000,000 foreign-made movements were imported during the war years, and in 1946, imports were 9,000,000. Elgin and Hamilton, who had been almost wholly absent from the commercial market during the war, were thus faced with reconversion in a saturated market and a thoroughly entrenched import competition. By the end of 1949 the country was swept by sales of Swiss watches at prices the domestic industry could not begin to equal. Both Elgin and Hamilton were forced to cut back production and lay off workers. By the summer of 1950 they had together laid off 2,000 men and women. It would have been difficult to convince these workers—or the 2,300 more formerly employed by Waltham—that the industry had been helped by the Swiss Trade Agreement.

In the first half of 1950 Hamilton earned $123,294.05, as compared with $547,797.73 in the same period of 1949. Elgin earned $262,775 as compared with $617,561. Only the sudden impetus in consumer buying following the Korean invasion saved our companies from a very bad situation. We were able then to reemploy most of our former workers, and our sales increased. But the experience shows clearly that we live only from one emergency to another.

The ratio of earnings to sales for Elgin has dropped from 12.98 in 1940 to 5.85 in 1949 and that of Hamilton fell from 11.4 to 7.5 in the same period. There are in some of the executive departments of the Government some people to whom decreasing rates of return on investment have no significance. Nothing less than actual net losses, year after year, is persuasive with this group. However, it would be difficult to convince the stockholders of these companies that they have been helped by the trade agreements program.

From the attached table listing sales of Hamilton, Elgin, and Waltham and imports from 1934 through 1950, it is apparent that in the year 1934, prior to the conclusion of the Swiss trade agreement, the domestic jeweled-watch industry supplied 48 percent of the total American market for jeweled watches. After the trade agreement this percentage declined year by year until, in the last full year of commercial production for civilian purchases, prior to the war, the domestic industry's share of the American market had dropped to 30 percent. Despite tremendous efforts by the domestic manufacturers, they were able to bring their share up to only 21.4 percent in the year 1949, and in the year 1950, this percentage had dropped to 19 percent. It would indeed be difficult to convince the industry salesmen that the Swiss trade agreement helped the industry.

The domestic manufacturers have been driven out of the low-priced watch field. Labor costs in the United States are so high in comparison with Swiss costs that no domestic company can afford to manufacture a seven-jeweled watch, or even a 15-jeweled watch. Elgin has recently announced that, in order to continue offering a full line of watches, it will be forced to import movements for watches to retail in the $20 to $30 price range. This decision was directly due to the inability of that company to compete with imported movements in this lower price range under the existing cost disadvantage.

No one contends that we are less efficient than the Swiss. The difference lies in wage rates. For every dollar the Swiss pay in labor, we must pay $2.86, and the cost of a watch is more than 90-percent labor.

With respect to the statement that people who were not making watches in the United States are now making them, the facts are that, since the trade agreement with Switzerland in 1936, no company has been established which manufactures complete movements in this country. The Secretary of State may have referred to the Gruen Watch Co. of Cincinnati, Ohio, which is one of the more important importers. That company does not claim to have any production of watch movements made completely in the United States. (Excluding jewel bearings, which all producers import.) It must be emphasized that the making of some parts for a very limited number of movements is hardly the establishment of an additional much-needed facility.

We feel that the committee should note that the State Department's judgment of injury is open to question. If that Department feels that, under these circumstances, the industry has benefited, what evidence would be required to convince it that a serious injury had occurred? Our own observation has been that nothing short of a severe financial crisis resulting in almost total unemployment in the industry and perhaps in bankruptcy would be sufficient. If the experience of Waltham is any criterion, even bankruptcy would be explained away.

This is not just a question of jobs, of sales, or of dividends. It is not just a question of injury to an industry. In this case, it is a serious injury to the country as a whole.

As we have stated before, our position respecting customs duties on watch movements has not been taken solely out of concern for the welfare of the industry, or of its employees, but also because of the industry's extreme importance to national security. It has been our contention that the industry is dangerously small for the vital purposes of national defense. This, now, has been borne out by statements made by the Chairman of the Munitions Board in answer to an inquiry from a subcommittee of this Senate Finance Committee, specially appointed to study the situation of the domestic industry. Pertinent excerpts from two letters by the Munitions Board Chairman are quoted below:

"Assuming that we will have to rely exclusively on our domestic capacity to produce timepieces and related items in a future emergency, and based on an analysis of our experiences in the last war, I believe that the preservation of a minimum level of domestic productive capacity is absolutely essential.

"I regret that I am not in a position to state now what that minimum level should be, but if it would be helpful to you, I would venture the opinion that in no event should it be lower than the 1941 level of operations" (letter of March 17, 1950).

"As I pointed out in my prior letter, the maintenance of a healthy watch industry is essential to the national security. In addition to the items which it alone can produce the industry undoubtedly would again be called upon for the production of other items for which it is not the sole producer.

"In view of this, it is our feeling that, as a matter of precaution against probable future needs, every effort should be made to prevent the dissipation of the pro-

ductive capacity of the industry and to maintain it in a healthy condition" (letter of May 9, 1950).

The conversion of the industry to war production during the years from 1942 through most of 1945 gave the importers of foreign-made watches and movements a virtual monopoly of the American market. It has taken the American industry the 5 years since the end of the war to fight its way back in unit sales to the 1941 level. Even now, with a new and more serious threat to our national security than ever before, the industry is still at that minimum level to which the Chairman of the Munitions Board referred. In these times minimum levels are not enough.

The military essentiality of the industry arises out of the fact that it is the only industry in this country, indeed in the world, outside of Switzerland, which possesses the horological engineering knowledge, the specialized facilities, and the skilled personnel necessary to manufacture, on a mass-production basis, mechanisms consisting of extremely small parts made to extremely close tolerances, and comparable to high-grade watch movements in their requirements for precision. We know from our experience in the last war that this unique character of the industry places heavy demands upon it in a war-emergency period. As late as 1945 we had to turn down many requests from the armed services because of inadequate facilities. Since timing is becoming ever more important in modern warfare, and the devices of warfare are becoming ever more precise and complicated, requiring new and more delicate control instruments, the military demands in the event of total war will necessarily be multiplied.

We do not profit as an industry from wartime production. While we are producing war matériel, Swiss imports entrench themselves further in the domestic market. The industry has been forced to leave its markets almost wholly in the hands of foreign competitors during 4 of the last 9 years. If there should now be a recurrence of total war mobilization, it will mean that this industry again will be indefinitely out of commercial watch production, and out of research, design, and development work on its commercial product. It is hardly conceivable that an already small industry, attempting to compete with a highly organized and cartelized foreign industry which completely dominates the world market and enjoys a substantial labor-cost advantage could ever successfully reestablish itself in the domestic market without sensible tariff protection. We went into the last war with about 30 percent of the American market. By 1950 we have worked our way back to only 19 percent.

In a statement submitted to the Committee on Ways and Means of the House, the Watch Importers Association, whose membership consists of approximately 150 importers of Swiss watches, admitted the military essentiality of the domestic jeweled-watch industry. Their theme is now that the importers are themselves equally important to national defense and that the manufacturers of cases for watch movements are also important to national defense.

The watch importer does one of two things: (1) He imports and sells complete Swiss watches or (2) he imports Swiss movements and inserts them in American-made cases before selling. If all or any part of the skilled workers necessary to design and produce these imported movements were located in the United States, the national defense potential obviously would be greatly increased. Yet the importers would have Congress believe that we are stronger militarily speaking if the real production skills for precision instruments are located in the heart of Europe.

This is the most ridiculous argument which has yet been devised. The importers now claim to have 3,900 employees. (In the past they have claimed to employ 40,000.) However, the importers merely case and market imported movements. They do not have any engineering or production facilities for manufacture of movements with the exception of Bulova. Incidentally, of the 3,900 employees now claimed by the importers association, considerably over half must be employed by Bulova who admittedly has domestic facilities for movement production in addition to being the largest importer of watches.

If the domestic production of watch movements were increased, the watch-case industry would not be injured, but would benefit from an increase in domestic production of movements. In the first place, a movement requires a case whether it is made here or abroad; in the second place, 42 percent of the movements imported in 1950 were completely cased watches. If a substantial portion of these cases were made in the United States, the case makers would have a larger organization and represent a greater defense potential.

As I have stated, we neither oppose nor support the enactment of H. R. 1612. If the bill is to be enacted we favor the peril-point and escape-clause amendments. Neither will directly benefit the jeweled-watch industry. But we feel

that if these provisions are included in the Trade Agreements Act, other industries may avoid the serious developments which this industry has encountered. Certainly we should have had an escape clause in the Swiss agreement in 1936, instead of 1950.

The considerations involved are serious, and, from our experience, should not be left entirely free to various administrative determination. From the length of time it required the State Department to obtain an escape clause in the Swiss agreement, it is clear that direction is needed. Had it not been for this committee the State Department might not have acted even in 1950.

We respectfully request the continued interest of this committee in getting action to obtain a duty that is fair to the industry and to the defense needs of our people.

Comparison between sales of watches manufactured by Elgin, Hamilton, and Waltham and imports for consumption (0 and 1 jewel excluded) showing continual decline of domestic industry share of greatly expanded market

	Domestic industry sales	Imports	Apparent consumption	Percentage of market supplied by domestic industry	Percentage of market supplied by imports
	Units	*Units*	*Units*		
1934	780, 374	841, 712	1, 621, 086	48. 1	51. 9
1935	1, 028, 229	1, 137, 425	2, 165, 654	47. 4	52. 6
1936	1, 380, 662	2, 133, 424	3, 514, 086	39. 3	60. 7
1937	1, 485, 115	3, 057, 283	4, 542, 398	32. 7	67. 3
1938	946, 517	2, 134, 717	3, 081, 234	30. 7	69. 3
1939	1, 276, 918	2, 699, 745	3, 976, 663	32. 1	67. 9
1940	1, 469, 808	3, 266, 494	4, 736, 302	31. 0	69. 0
1941	1, 778, 227	4, 044, 107	5, 822, 334	30. 5	69. 5
1942	917, 941	5, 107, 720	6, 025, 661	15. 3	84. 7
1943	533, 348	7, 609, 643	8, 142, 991	5. 1	94. 9
1944	491, 440	6, 570, 148	7, 061, 588	6. 6	93. 4
1945	574, 778	8, 708, 290	9, 283, 068	6. 2	93. 8
1946	1, 044, 597	9, 080, 253	10, 124, 850	10. 3	89. 7
1947	1, 563, 968	7, 356, 894	8, 920, 862	17. 5	82. 5
1948	1, 912, 534	7, 829, 738	9, 742, 272	19. 6	80. 4
1949	1, 851, 895	6, 839, 653	8, 700, 688	21. 4	78. 6
1950 [1]	1, 845, 000	7, 840, 716	9, 685, 716	19. 1	80. 9

[1] Domestic sales preliminary for Elgin and Hamilton; estimated for Waltham. Imports estimated for full year on basis preliminary 11-month figures, Department of Commerce.

STATEMENT OF JAMES G. PATTON, PRESIDENT OF THE NATIONAL FARMERS UNION

The National Farmers Union has supported the Reciprocal Trade Agreements Act and actions taken under it since its beginning. The National Farmers Union Convention, held March 8, 1950, in Denver, Colo., adopted a program which said:

"Again we endorse the Reciprocal Trade Agreements Act and urge that the removal and lowering of barriers to international trade be hastened."

There was no voice raised in opposition to this position when the program committee, which drafted the statement, placed it before the convention delegates.

We have opposed, and continue to oppose, amendments to the act that will impede or cripple its operations. The Farmers Union program calls for hastening the removal of trade barriers, not impeding them.

We regard the four principal amendments to the act which are contained in the House bill as unnecessary and even dangerous to our own national interests. We are especially opposed to the so-called Dempsey amendment, involving agricultural products.

The Dempsey amendment is an understandable effort to protect the workings of our price-support programs, and to keep out of this Nation agricultural commodities selling for less than the price at which the Federal Government supports the domestic production of the commodity. An examination of our exportation and importation of agricultural commodities which are under price support indicates however, that we have much more to lose by the amendment than we have to gain. We export about $2.5 billions of price-supported commodities and import $425 millions worth. If we should cancel tariff concessions on the $425 millions of imports, we can anticipate like cancellations by foreign nations against

an even greater quantity of our exports. We stand to lose, not gain, in terms of the dollar cost of support programs, by the amendment.

We feel that there is already ample protection, through the escape clauses, to prevent a disastrous volume of imports of price-supported commodities.

Our loss in good will with other nations in these critical times might be much more damaging than any dollars and cents loss resulting from the Dempsey amendment.

We have much the same concern about the amendment which would automatically bar imports from nations dominated by Russia: loss of good will in the present critical times.

The Voice of America is telling the world that this Nation is the friend of the peoples of the dominated countries. One of the greatest victories which democracy has won on the international front recently is the split in the Italian Communist Party. As private citizens, we have no way of knowing the possibility of other like developments. Certainly, however, the imposition of trade discrimination against the satellite countries will be hurtful to people to whom we are broadcasting of our good will, and could seriously affect our foreign policy.

There is protection without this amendment against export of critical materials to those countries in payment for their products. We strongly feel that the blanket negation of our trade agreements with countries now under Communist domination would be an act of surrender, of giving up the effort to win them back to democracy by peaceful means.

We see no value and much danger in the escape clause and peril point amendments.

Mr. Chairman, we are steadfast in the view that the general authorizations of the Reciprocal Trade Agreements Act have been proved to be wise and in the best interests of the United States. Particularly at this time do we regard it urgent that nothing be done to interfere with the revival of international trade in agricultural commodities. Any tampering with the Reciprocal Trade Agreements Act, for one thing, will have a highly unfavorable reaction upon those countries in Europe which the United States, as part of the European recovery program, has been attempting to persuade to lower barriers in Europe. The existence of such barriers is one of the principal obstacles to full economic recovery in Europe and one of the principal barriers to that increased production of food which is a main requirement in Europe in the present situation. Moreover, the Economic Commission for Europe only recently issued a report which indicated that despite the iron curtain between western and part of eastern Europe, some revival of trade between east and west is in process. Nearly all students of the European problem agree that in the end the exchange of raw materials for finished products between eastern and western Europe is indispensable to the raising of the living levels of the peoples of both sections. In the broader context of the world situation, approval of the extension of the act becomes imperative when it is considered that most wars have arisen from the too rigid containment of countries whose population has outrun resources. The birth of the English colonial system goes back to the necessity for the British Isles to find sources of raw materials and to find markets for finished goods in order to maintain a population far in excess of what the Isles themselves could support. Most of western Europe, of course, followed suit. The consequence of that colonial system plagues the world even today, as witness Indochina, for one example.

One of the most practicable and promising of all of the steps that can be taken toward a balance between the hunger of many of the peoples of the world and the production of the food and fiber that they need is simply an increase in the exchange of goods between nations. We believe that the progress made under the Reciprocal Trade Agreements Act shows that an increasingly more complete freedom of such exchange is possible, and that it will contribute materially to an enduring peace. We therefore strongly urge the committee to approve extension of the act without major amendment.

Senator KERR. We will hear from Mr. Garstang on Friday, and we will recess now until 10 o'clock tomorrow.

(Whereupon, at 12:40 p. m., the committee adjourned, to reconvene on Thursday, March 8, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

THURSDAY, MARCH 8, 1951

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

The committee met, pursuant to recess, at 10 a. m. in room 312, Senate Office Building, Senator Robert S. Kerr, presiding.

Present: Senators Kerr, Millikin, Taft, Butler of Nebraska and Martin.

Senator KERR. We are glad to have you with us this morning, Senator Malone.

Senator MALONE. Mr. Chairman, I have no prepared statement, however, I am prepared to discuss in detail the tremendous impact of the proposed 3-year extension of the 1934 Trade Agreements Act—the so-called Reciprocal Trade Act—as proposed in the House bill, H. R. 1612, on the workingmen and upon the small industrialists and businessmen of this Nation; I hope I may complete my statement for the record.

Senator KERR. Absolutely.

THE SUPERSECRET CONFERENCE

Senator MALONE. The shotgun of free trade is leveled at the head of every workingman and investor in my State of Nevada and in the Nation—and in the nervous hands of an inexperienced and inept State Department will result in a lower wage standard of living and the writing down of the investments to the competitive level of the sweatshop labor of Europe and Asia, or unemployment, or the payment of additional subsidies, or both.

Despite this knowledge the State Department is still continuing the reckless division of our markets with the low living standard countries—selecting the industries that are to survive and those that are to be sacrificed to make up trade balance deficits of such nations.

The grave immediate danger is the current "supersecret" international trade conference at Torquay, England, which is completing the job of utterly destroying the workingmen and small industrialists and the businessmen of this Nation—through the "one economic world" concept. The Torquay concessions will become effective before the normal expiration of the act on June 12, 1951.

The objective of assisting foreign countries through the division of our markets, is reached through the lowering of the tariffs and import fees on specific products without regard to the differential of cost of production due mostly to the difference in the wage standard of living here and in the competitive country.

REGULATE FOREIGN COMMERCE—FIX FOREIGN POLICY

Congress should not only refuse to extend the 1934 Trade Agreements Act—but should pass my Senate bill, S. 1122, forthwith, terminating the President's authority to enter into trade treaties under the act. Then the Torquay agreements would have to be approved by the Senate in the manner reserved for treaties.

CONGRESSIONAL POWER DEBAUCHED

There are two powerful factors in the conduct of a nation's affairs. The jurisdiction of both is fixed by the Constitution:

1. The regulation of foreign trade—the Constitution places the responsibility squarely in the hands of the Congress.
2. The fixing of foreign policy—the Constitution places that responsibility squarely in the lap of the President of the United States.

Through the 1934 Trade Agreements Act the Congress transferred its clear responsibility for the regulation of foreign commerce to the President—he then possessed the responsibility of regulating foreign trade through adjusting the tariffs and import fees, and therefore could destroy or build up any industry in any area of this Nation in addition to his constitutional responsibility to fix foreign policy.

The Congress then, representing every precinct and area in the Nation, is left with the responsibility of appropriating taxpayers' money to finance the President's world-wide grandiose schemes—and little else.

The Congress—the legislative branch—should forthwith regain its responsibility to regulate the national economy through the foreign commerce clause of the Constitution, through the simple expedient of allowing the 1934 Trade Agreements Act to expire on June 12, 1951.

The State Department has deliberately debauched the constitutional power of Congress to regulate foreign commerce, which was transferred to the Executive by the 1934 Trade Agreements Act.

The State Department has reversed the 100-year-old policy of using the tariffs and import fees as a floor under wages and investments based upon fair and reasonable competition—and has deliberately set out to transfer American jobs and investments to foreign nations under the "one economic world" program and to level our standards of living with the European and Asiatic nations. The dual objectives announced by the State Department are not compatible—that of favoring the imports of competitive nations, and of preserving our own wage living standards.

I have heard the testimony of Mr. Acheson to the effect that the State Department would probably not utilize the authority given it provided H. R. 1612, extending the act, were to be passed by the Senate. The question is, "Why should they?", since the division of the markets of this Nation will be completed at the "supersecret" conference in Torquay, England, late this month or early in April, and will become effective before the act expires on June 12, 1951, unless the congressional power transferred to the President to regulate foreign commerce is terminated before that date.

TRADE AGREEMENTS—"MOST FAVORED NATION" CLAUSE

The bilateral trade agreements being consummated at Torquay with about 40 nations on several thousand products and industries—all further reducing tariffs which will be subject to the "most favored nation" clause, making the terms of each of such trade agreements available to every other nation, will become effective before June 12, the expiration date of the present act.

THE MULTILATERAL PRINCIPLE

The results of all of the bilateral trade agreements will then be incorporated in one multilateral agreement and will include the pertinent features of GATT (General Agreement on Tariffs and Trade—principle adopted at Geneva) and the International Trade Organization Charter. This may be a further reason why the Secretary of State is so nonchalant in denying that they would press for adoption of the International Trade Organization as such. Once the multilateral agreement is made, the so-called escape clause is correspondingly harder to invoke.

THREE INTERNATIONAL TRADE CONFERENCES

Torquay, England, is the third international conference on trade agreements since the adoption of the act by Congress in 1934 transferred the constitutional responsibility of the Congress of the United States of regulating the foreign commerce to the industrially inexperienced State Department.

The first conference was held in Geneva in 1947—the second at Annecy, France, in 1949. Prior to 1947 the State Department made individual bilateral trade agreements. The Geneva, Switzerland, conference marked the advent of the multilateral trade agreements policy.

The supersecret Torquay conference is the third general conference held in 5 years, and should complete the free trade "one economic world" program dividing the American markets, built up over the last 100 years, with the low-wage standard countries of the world.

CHEAP LABOR NOT REFLECTED IN PRICE TO UNITED STATES

Experience has shown that the lowering of tariffs and import fees on an imported product does not result in lower prices to the United States consumer. The foreign exporter to this country invariably increases the price of his product to at least the amount of the lowered tariff. Imports are priced to take what the traffic will bear.

CONFERENCE DATA KEPT FROM LEGISLATORS

No member of this committee or in fact any Senator, Congressman, industrialist, or workingman from this country would be allowed to officially visit the Torquay conference, or to participate, or to cooperate in any way in the proceedings. You, as chairman of this committee, cannot secure pertinent information regarding their proposed trade agreements until such time as they have been concluded.

The following summary, inserted in the record at this point, includes the principal points made and the general field covered by my statement on this important subject—for the benefit of the committee.

SUMMARY

1. The American workingmen and the small industries and businessmen are about to be utterly destroyed through the direct competition of the sweatshop labor of Europe and Asia. The only alternative to unemployment and total loss of investment is to write down both wages and investments to meet the foreign sweatshop labor competition.

2. The foreign markets, which the State Department says we will acquire under their plan, are now lost to the small industrialist and businessman of this nation, except in emergencies, when they may be given emergency contracts, Marshall plan (ECA) or national defense contracts.

3. The 1934 Trade Agreements Act is in line with the "one economic world" concept of the World Federationists in its crudest form, because its effect would be the averaging of the standards of living of all of the peoples of the world.

4. Large capital, whether individual or corporation, can place and is placing branch plants throughout the world, not only supplying the foreign market, which was held out to American producers as a reward for supporting the fake "reciprocal trade" program, but shipping such products into the United States under the "free trade" program and displacing American workingmen and investors.

5. It is the small industrialist or businessman who is unable to establish branch plants in the low-wage living-standard countries, and who will therefore be destroyed, together with his employees, while his large competitors appropriate their markets abroad and at home, through continued State Department control.

6. The American industrialist or businessman, and the workingmen in his plant, pay more into industrial insurance, unemployment, and social security funds than the total wages paid by a comparable concern in many of the competitive countries. Yet, the "free traders" and "one economic worlders" tell us their program will improve our status, while, as a matter of fact, their method removes the floor under wages and investments built by tariffs and import fees.

7. The State Department's over-all program, under the authority transferred to it by Congress, is a plain betrayal of the American workingmen and the small industrialists and businessmen of this nation.

They are betrayed into the hands of the low-wage and low-living-standard foreign countries by the administration and by the small number of international investors and dealers in this nation whose selfish interests they believe to be best served through "free trade," which means the use of foreign sweatshop labor in competition with American labor with its high wages and living standards. The constitutionality of the act transferring such responsibility is questioned by many eminent authorities.

8. The State Department program has currently brought us to the point where we cannot maintain our wage living standard in peacetime without some kind of real or fancied emergency justifying

deficit financing. This means the taxpayer picks up the check and pays the difference in subsidies, unemployment indurance, or "made" work in some form. It is noteworthy that there was severe unemployment just prior to World War II and again in June 1950, just before world war III, or the "police action" as some choose to call it. (Nine million unemployed in 1939; approximately six million unemployed in June 1950.)

9. Under the State Department's plan, each country to produce what it can produce the cheapest, working under its own wage-standard of living, the industrial pattern of this Nation is being completely changed and overhauled to conform to that plan. Production of textiles, precision instruments, fuels, crockery, glassware, minerals, wood products, machine tools, high-grade steel, and many other manufactured and processed products, was being curtailed and sacrificed in the interests of a greater output of heavy industrial, road and agricultural machinery, automobiles, trucks, and trailers, subsidized agricultural products, and any product where labor plays a comparatively minor role in the cost of such production.

10. Corporations and individuals in large American industries, now able to compete with low-wage foreign labor because of lack of foreign preparation, are at this time preparing to enlarge their foreign production by taking advantage of cheap labor abroad. I have in mind Ford, Remington Rand, General Motors, International Business Machines, Singer Sewing Machine Co., and other leading American firms, playing the world industrial picture as set by national legislation and State Department policy.

11. As a direct result of congressional action in passing the 1934 Trade Agreements Act (erroneously called the Reciprocal Trade Act), the State Department actually chooses the American industries that are to survive and those that are to be sacrificed on the altar of "one economic worldism," completely rearranging the industrial pattern of the Nation. It can dry up the foundation of industry in any area within any State, and it can expand such development in other areas as it chooses.

12. The program is short-sighted except from the viewpoint of those industrialists and investors who are in a position to build plants in competitive low-wage-living-standard nations. Even for them it may prove a very short-range advantage since any step which would lead to a lowering of the wage standard of living in this country would probably result in a severe change in our form of government. The change would likely be toward the European socialistic ideas involving government ownership, with the consequent destruction of the business structure of this Nation.

13. Secretary of State Acheson and the "economic one world" group are no doubt laughing up their sleeves at Congress, since the supersecret Torquay conference is depended upon to finish the job of dividing our markets with the nations of the world. Furthermore, the parts of GATT (Geneva Agreement on Tariffs and Trade) and the ITO (International Trade Organizations) that the State Department wants will doubtless be incorporated in such agreements. The whole thing will be adopted before the 12th of June of this year when the present act expires, unless the authority of the President to enter into such agreements is terminated immediately. Such termination is provided for in the bill S. 1122.

14. The State Department's administration of the act seems deliberately designed to build up foreign nations and not to preserve the national economy of the United States of America. One of their slogans or catch phrases is, "We cannot be prosperous in a starving world." Another is, "We must divide our markets with them and level the living standards." The 1934 Trade Agreements Act is traitorous to the workingman and to the small industrialists and businessmen of this Nation.

15. We revert to deficit financing to pay unemployment insurance, "made work" programs and subsidies to support parity prices on American commodities, which would otherwise be destroyed through sweatshop foreign labor competition. The taxpayers—every stenographer, machinist, and other working man and woman in this Nation—pick up the check.

Ironically, stenographers who pay $5 or $10 to $15 per week income tax may soon be using typewriters made in Japan by skilled mechanics drawing 8 to 12 cents per hour for their work, putting American workers out of jobs.

16. The flexible tariff or import fee provision—section 336—of the 1930 Tariff Act would be immediately utilized by the Tariff Commission in the adjustment of tariffs on the basis of fair and reasonable competition providing the 1934 Trade Agreements Act is not renewed. The expiration of the act in no way affects the trade agreements already in effect; they run for 3 years and then until 6 months' notice of cancellation is given by a treaty member.

17. Senate bill 1040 would broaden the escape clause independently of the original Trade Agreement Act, and could be made effective whether or not the 1934 Trade Agreements Act were renewed.

18. Senate bill 1122 would terminate the President's authority to enter into additional trade aggrements and would protect the workingmen and investors of this Nation from the supersecret Torquay, England, conference agreements, and make them subject to the approval by congress.

19. The flexible import fee bill, S. 981, turning the long-experienced Tariff Commission into a Foreign Trade Authority would definitely establish a market in this country for the goods of the foreign nations of the world on the principle of fair and reasonable competition.

20. Under the principle of fair and reasonable competition the tariffs and import fees on specific products would be lowered in accordance with the rise in world living standards—and when such living standards approach our own then the common objective of free trade will be the almost automatic and immediate result.

The difference between the present policy and the principle of flexibility is that under my bill we preserve our own living standard while we are assisting foreign nations to improve their own.

KARL MARX AND FREE TRADE

Mr. Chairman, Karl Marx, in his speech before the Democratic Club, Brussels, Belgium, on January 9, 1848, talked at length about the destructive effects of free trade (so-called reciprocal trade) on the welfare of labor. Marx did not advocate free trade, but on the contrary, regarded it as destructive to the wages, to the standard of living, of the working class. At the end of the speech he said:

In a word, the free-trade system hastens the social revolution. In this revolutionary sense alone, gentlemen, I am in favor of free trade.

The administration's 1934 Trade Agreements Act, "reciprocal trade" is admittedly a "free trade" program.

Thus we see that Karl Marx regarded free trade as so dangerous to the economy of an industrial nation that the effects of this doctrine would bring about unemployment, reduced wages which would never rise above the minimum, and social conditions which would hasten the coming of the social revolution which he hoped for: the revolution creating the Socialist state.

In his speech, Karl Marx refers to the economic theory which is usually used to bolster the argument in favor of free trade. Free trade would allow the international specialization of labor. In other words, each nation would produce that for which it is best qualified, either through the quality of its labor, or the availability of resources, soil, climate, and so forth.

Karl Marx effectively refutes this argument in his speech:

For instance, we are told that free trade would create an international division of labor, and thereby give to each country those branches of production most in harmony with its natural advantages.

You believe perhaps, gentlemen, that the production of coffee and sugar is the natural destiny of the West Indies.

Two centuries ago, nature, which does not trouble itself about commerce, had planted neither sugarcane nor coffee trees there. And it may be that in less than half a century you will find there neither coffee nor sugar, for the East Indies, by means of cheaper production, have already successfully broken down this so-called natural destiny of the East Indies.

In that manner, more than a hundred years ago, did Karl Marx point up the fallacy of the argument of the free-traders.

Today the argument of Karl Marx has even more force than it did then: the world has much greater differences in standards of living among the various peoples than it did then, and the difference between the highly industrialized nations and the unindustrialized ones is much more pronounced.

Industrial capacity, labor know-how, and modern machinery can be transplanted from one country to another on short order. After a short period of training even unskilled labor can be taught to produce efficiently and well. In this day and age the international specialization of labor and production is almost impossible, and the argument of the free-traders (the catch-phrase "reciprocal trade") has much less foundation in fact that it had in the day of Karl Marx.

American labor first agreed to the free trade—"reciprocal trade" program on the promise of labor legislation—not realizing that such legislation would be worse than meaningless under the State Department's plan of sweat-shop labor competition, resulting in widespread unemployment.

The State Department is knowingly or unwittingly playing the Communist line as set down by Karl Marx more than 102 years ago.

BETRAYAL OF THE WORKINGMEN AND SMALL BUSINESS

Under permission to complete my statement for the benefit of the record, I am including a dispatch from the Times-Herald outlining the devastating effect upon the American workers and the small-business men and industrialists of the free-trade program of the State Department—carried out under the 1934 Trade Agreements Act.

Malone Lashes At Plan To Extend Reciprocal Trade

A bill to permit Congress to recover its constitutional authority over regulation of foreign trade through imposition of tariff and import fees was introduced in the Senate yesterday by Senator Malone, Republican, of Nevada.

The Senator charged the State Department is moving the United States into "an economic one-world" by selling out American workers and investors under international trade schemes.

Hearings on Extension

Malone called for an end to the Trade Agreements Act of 1934 on June 30. The Senate Finance Committee is holding hearings on extension of the act.

Although the committee is expected to support a State Department request for extension, the possibility of a filibuster hung over the Senate.

Senators from industrial States are considering an effort to talk the program to death. These include Senators Welker, Republican of Idaho; Cain, Republican, of Washington; Kem, Republican, of Missouri; Jenner, Republican, of Indiana; Martin, Republican, of Pennsylvania; Butler, Republican, of Nebraska; and Capehart, Republican, of Indiana.

Cheap Labor Is Cited

The Administration program is to be attacked on the ground that it will lower the living standards of American workers by permitting foreign nations to divide up world markets and flood this country with products of cheap labor.

"If the State Department has its way, import fees will be reduced to a point where American industry cannot survive," Malone told the Senate committee.

"American wages will come down to compete with the low wages in foreign countries. Our American system will be discredited and the Communists here and abroad will have achieved their goal.

"Extension vitally affects every man, woman, and child in America, but the public does not know what is about to happen to them because the one-economic-worlders are putting through the final phase of the free-trade program under cover of war.

Held Up by the War

"Ironically, our economy is held up now only by the war emergency and deficit financing. Many people do not understand the tariff question, but they understand things to eat, things to wear. These would be taken away from them and their standard of living leveled downward by the economic-one-worlders.

"When the present lowering of import fees passes a rapidly approaching point, our American wage standard and high standard of living will come to a violent and untimely end. There is no need for political one world if our State Department gets us into an economic one world."

Slave Labor Products Noted

Malone charged the administration is now desperately striving to hide the plight of workers hit by importation of the products of slave labor abroad. He named the textile, watch, hat, shoe, and other industries.

"Despite all this," he said, "the State Department boys are now making a reckless division of our markets with the low-wage nations of the world, selecting the industries that are to be permitted to survive a while longer and those to be sacrificed to build up sweatshops in Europe and Asia, discrediting American enterprise and advancing the socialistic one-economic-world philosophy."

Small business is described as a business or industry too small to install branch plants in foreign low-wage-living-standard countries.

TERMINATING PRESIDENT'S REGULATION OF FOREIGN COMMERCE, S. 1122; BROADENING THE ESCAPE CLAUSE, S. 1040

Excerpt from the Congressional Record of March 14, 1951—introduction of Senate bill 1122 to terminate forthwith the President's (State Department) authority to enter into further trade agreements with especial reference to the current supersecret Torquay, England, Conference which is completing the "one economic world" job:

TERMINATION OF PRESIDENTIAL AUTHORITY—1934 TRADE AGREEMENTS ACT

Mr. MALONE. Mr. President, the 1934 Trade Agreements Act should not only not be renewed but should be terminated forthwith to prevent the State Department's trade agreements consummated at the current Torquay, England, supersecret conference from becoming effective under the present act, which will terminate on June 12, 1951.

Mr. President, I ask unanimous consent to introduce for appropriate reference a bill at this time, and request that it be printed at this point in the Record.

There being no objection, the bill (S. 1122) to terminate the authority of the President to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended, introduced by Mr. Malone, was received, read twice by its title, referred to the Committee on Finance, and ordered to be printed in the Record, as follows:

"*Be it enacted, etc.*, That the authority of the President to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended, shall terminate on the date of enactment of this act."

Mr. MALONE. This bill would terminate the authority of the President to enter into trade agreements. The supersecret conference which is now going on at Torquay, England, completes the free-trade-one-economic-world plan and program which was put into effect by the State Department upon the passage of the Trade Agreements Act in 1934. If the Torquay agreements will become effective it will mean the final abandonment of the workingmen, small-business men, and industrialists of this Nation.

S. 1040 BROADENS ESCAPE CLAUSE

The bill which I have introduced earlier in this session, S. 1040, broadens the escape clause which is contained in the trade agreements already consummated, and could be passed independently of this one. S. 1040 provides the necessary authority to broaden and improve the escape clause in any of the existing agreements. The fault of the present escape clause, of course, is that other nations can withdraw a concession equivalent to the one for which we seek escape.

It is the opinion of the junior Senator from Nevada that the State Department has not made and will not make effective use of the present escape clause, because it is not part of its program. If the administration tried to use the escape clause probably they would not get the consent of the nations who are parties to the agreement, without forcing renegotiation of the agreement.

The two bills which have been introduced by the junior Senator from Nevada, S. 1040 and the one introduced just now, complement one another but are not dependent on one another. One, the bill introduced today, withdraws the authority to make further trade agreements, so that the results of the Torquay Conference cannot become effective without congressional review. The other, S. 1040, broadens and improves the escape clause now provided for in most trade agreements. S. 1040 can become effective upon the lapse of the 1934 Trade Agreements Act on June 12, 1951, or earlier if the other bill terminates the Trade Agreements Act earlier. I earnestly urge the passage of the bill introduced today, because the coming into force at the Torquay Conference results will give the State Department "one worlders" all they want, and the lowered tariffs will become law before June 12, unless we stop the 1934 Trade Agreements Act forthwith.

TRADE AGREEMENTS ACT SHOULD BE TERMINATED FORTHWITH

Mr. Chairman, it is my earnest opinion that the Trade Agreements Act should not only not be extended, but it should be terminated forthwith in accordance with Senate bill No. 1122 so that the agreements made at the supersecret Torquay, England, Conference—about which this committee nor any Member of Congress has or can get any information—could not be made effective except through the approval of the Senate in the same manner as all other treaties with foreign nations.

Senator KERR. You are suggesting an act of Congress which would not only terminate the present law but lay down a mandate that nothing be done with reference to further negotiation or further trade agreements?

Senator MALONE. Yes, Mr. Chairman. The Executive has always been anxious to keep the evidence away from this committee. No member, including you yourself, Mr. Chairman, could get the evidence and look at the recommendations submitted to the Reciprocal Trade Committee of the State Department as evidence that tariffs should not be further reduced.

You cannot attend the executive sessions if you were present in Torquay, England, and you have no method of finding out what is going on there.

This lack of confidence in the Congress is a dangerous thing. The reason why I suggested that the Trade Agreements Act be terminated forthwith is that Torquay is completing the job of wrecking the workingman and investor of the United States. Immediately, each concession made there is extended to every nation on earth, without any concession on their part, through the most-favored-nation clause.

Senator KERR. The only way that could be terminated would be by an act of Congress which repealed the existing law.

Senator MALONE. I think that would be necessary. I am pointing out the danger and the fruitless gesture that we are making even in turning down this extension beyond June 12, because by then the job will be completed of destroying the workingmen and the small-business organizations and industries of this Nation.

In other words, the State Department will complete the division of the markets of this Nation which they started out to do under the 1934 Trade Agreements Act of 1934.

PROTECTED WORKINGMEN AND PRODUCERS OPPOSED

Mr. Chairman, I point out another important thing to you. There is no record over the 17 years that the Trade Agreements Act has been in force of any producer ever supporting the Trade Agreements Act.

Some will say that the amendments presently proposed might work but they cannot be effective under the administration of an uncooperative State Department.

Senator KERR. You mean that the cotton producer and wheat producer have not at any time——

Senator MALONE. Producer of the things that are under consideration for lowered tariffs.

Senator KERR (continuing). They have not at any time supported this bill?

Senator MALONE. No producer to my knowledge, Mr. Chairman, has ever supported the State Department program of the haphazard lowering of tariffs and import fees based upon no principle at all.

Senator KERR. No manufacturer?

Senator MALONE. No producer who is threatened with competitive imports due to lowered tariffs.

Senator KERR. I do not want to appear to be arguing with my good friend, but I am only trying to get in my mind exactly what he means.

Senator MALONE. I appreciate the questions, Mr. Chairman. I deeply appreciate them because this is so serious. It is more deadly than the court fight, or the League of Nations fight—it will surely destroy the workingmen and the small industrialists and businessmen of the Nation.

Senator KERR. I understand. I want to know what you referred to when you said "no producers."

Senator MALONE. I refer to the industries producing goods on which the tariffs or import fees, representing a floor under wages or investments, are being lowered without any consideration of the differential of the cost of production.

Senator KERR. No industrial producer?

Senator MALONE. No mineral producer, no textile producer, no producer dependent upon tariffs or import fees for equalization of the cost of production. In other words, there was no tariff——

Senator KERR. I happen to know that cotton producers and wheat producers have supported that program.

Senator MALONE. But there was no tariff being lowered on cotton. That commodity is supported by a cash subsidy on a parity level.

Senator KERR. Then the producer, as you used it——

Senator MALONE. Meaning the producers that are in danger of losing their domestic markets and have no direct subsidy in lieu of a tariff.

Senator KERR (continuing). Was used in the light of the following interpretive language?

Senator MALONE. Yes. No producer who is threatened with lowering of the floor under wages and investments, represented by tariff or import fees has ever supported the State Departments program.

Senator KERR. You are aware of the fact that the United States Chamber of Commerce with over 3,000 members, I think, or maybe considerably more than that, with manufacturers in many, if not most lines of American industrial production, favors the program.

Senator MALONE. Yes, sir, Mr. Chairman, I am entirely familiar with that fact. I am also entirely familiar with the United States Chamber of Commerce. Most of the dealers and practically all brokers are members. Broker organizations, importers, and dealers who deal in these products are mainly for the tariff reductions, on the theory that what goes through their hands either way pays them a percentage no matter where it is produced. That is their source of income.

Senator MARTIN. Is it not true that a great many of the members of the United States Chamber of Commerce are the exporters and importers, but not many—as the distinguished acting chairman corrected me the other day—in a little community with but one industry, not many of those can afford to belong to the national chamber of commerce?

Senator MALONE. Mr. Chairman, I am very glad to have the opportunity of going into this. I think that the attitude of the United States Chamber of Commerce is the most dangerous thing that has happened to the economy of this country in 25 years. Take the Reno Chamber of Commerce in Nevada. I expect they are members of the national organization. You know how you get members of the chamber of commerce. You join out of civic pride. It costs $25 or $50 or $100, but you are supporting something that is promoting the community interest.

But I am here to tell you, Mr. Chairman, and if you will review your testimony and your statements which have been submitted to your committee, and if you are able to get the testimony submitted

to the Committee for Reciprocity, you will see that the individuals who are producers and who belong each to their own chambers of commerce—and many times that chamber of commerce is a member of the national—are not in favor of the free-trade program of the State Department. The policy is controlled someplace other than in the communities.

Nevada, where minerals are produced, and Oklahoma where they produce oil, and in Pennsylvania, where they produce many fabricated and manufactured products that are destroyed utterly if this principle is continued, do not favor it.

SMALL BUSINESS

The State Department program is a final sell-out of the workingmen of America and the small industrialists and businessmen of America. We have a Small Business Committee in the Senate that is supposed to protect small business on the one hand while we pull the economic rug out from under it with the other hand.

FOREIGN LOW WAGE COMPETITION—OIL, MINERALS

Senator MARTIN. Mr. Chairman, the Senator is an engineer and he comes from a great mining section of our Nation. What effect has the Trade Agreements Act had upon the mining industry?

Senator MALONE. I will say to you that it has had the same effect upon every business that is not subsidized in some manner, through Government contracts or directly. It has closed 75 percent of the mines. Just as it was closing the coal mines, as Senator Neely pointed out on the Senate floor when he said that 35,000 coal miners were out of work and the freight on the railroads was falling off because of Middle East oil competition. These oil imports were destroying the coal mines and petroleum producers of this country which were furnishing fuel any particular distance from the point of production for steam power and for other purposes.

Imported oil was taking the place of the domestic coal and oil.

THE UNITED STATES CHAMBER OF COMMERCE

Senator MILLIKIN. I would like to state to the witness that it is not clear what is the position of the United States Chamber of Commerce. We had a witness here and when we boiled down his testimony most of it represented the personal opinion of the witness. It is impossible in reading the testimony to say what is or is not the position of the United States Chamber of Commerce.

FREE TRADE ON WHAT THEY BUY—TARIFF ON WHAT THEY SELL

Senator MALONE. Mr. Chairman, every person in this country, every industry, is for free trade on what they are going to buy. They want free trade on the imports of the materials required to manufacture their product, and they are for a tariff on what they sell.

This point was amply demonstrated by the brass-fabricating industry in their play for "free trade" on copper; it constitutes 25 to 80 percent of their raw material, but the industry was for retaining the

15 to 65 percent ad valorem tariff without which they could not compete with foreign cheap labor.

Senator KERR. You mean they are against any combine at all?

WRECK OUR OWN ECONOMY

Senator MALONE. That is a pretty good size-up of the situation. And Congress itself is responsible for it, because they put the regulation of foreign commerce into the hands of an industrially inexperienced State Department that has no knowledge or interest in the economy of this country. The State Department policy justifies that statement. I defy anybody to bring anything to the attention of this committee proving that the State Department policy makers have any interest in preserving the economy of this country.

It is deliberately designed to divide the market of this country with the other nations of the world, on the theory that when you divide the markets of this comparatively small nation, with all other countries that we are going to raise their living standards up to our own.

Personally it is my opinion that all you do is to wreck our own economy and do not help anybody else very much because when we divide the wealth of this Nation we cannot even save ourselves, let alone anyone else in the world. And that job will have been accomplished, Mr. Chairman, when the results of this Torquay Conference are adopted before June 12. What I am telling you today will be well known within 6 months to every man, woman, and child in the United States of America.

TO DIVIDE OUR MARKETS—NOT PRESERVE OUR ECONOMY

The theory of the State Department is to divide the markets of this Nation among all the world, not to preserve the economy of this country. Go back 2 years to 1949. What did Mr. Willard Thorp say when he appeared before the House committee and later the Senate committee?

Senator Millikin, one of the students of this problem, is entirely familiar with his testimony and has from the beginning made some of the finest explanations of the State Department policy on the Senate floor. What was the substance of Mr. Throp's testimony?

He said the 1943 Trade Agreements Act is designed to divide the markets. That is not his language. I will put the exact language in the record. The ITO, the trade agreements program, and the ECA would bring about free trade so that with the nations of the world there no longer would be trade balance deficits. And in the meantime the Marshall plan and the ECA were designed to make up those deficits. All these programs are on the administration's must list—the International Trade Organization is designed to make permanent this division.

Mr. Thorp's pronouncement is as follows:

ADMINISTRATION FOREIGN POLICY PROGRAM

The pronounced foreign policy program of the administration—often reaffirmed — was set down in detail by Assistant Secretary of State Willard H. Thorp, in his testimony before the House Ways and Means Committee in January of last year when he said:

"1. The European recovery program (Marshall plan or ECA) extends immediate assistance on a short-term basis to put the European countries back on their feet."

The ECA appropriation is designed to make up the trade balance deficits of the 16 Marshall-plan countries in cash and goods each year—our chief export is cash—until such time as the markets of this Nation have been divided with the European countries and our living standards lowered to those of such nations.

Mr. Thorp also said:

"2. The trade agreements (act) program is an integral part of our over-all program for world economic recovery."

Under the Trade Agreements Act the markets of this Nation are being divided with the countries of the world to the point that theoretically there will be no further trade balance deficits—the 1934 Trade Agreements Act as extended removed the floor under American wages and investments—and stopped the flow of venture capital into the business stream of our Nation—the simple expedient of putting into the hands of the industrially inexperienced State Department the power to lower the tariffs and import fees approximately 75 percent after perfunctory hearings.

Another statement by Mr. Thorp is this:

"3. The International Trade Organization upon which Congress will soon be asked to take favorable action, provides a long-term mechanism—each part of this program is important. Each contributes to an effective and consistent whole."

The ITO transfers the regulation of our national economy to a foreign-controlled organization consisting of 58 nations, each with 1 vote—we would have the same vote as Siam—it simply makes permanent a condition sought through the 1934 Trade Agreements Act, as extended—and the ECA.

If and when the ITO is approved by the Congress of the United States, we are assigning the regulation of our foreign trade into the hands of the foreign nations of the world—all with an eye to obtaining a part of our high standard of living market.

The Secretary of State, Dean Acheson, has said: "It is hardly possible any longer to draw a sharp dividing line between the economic affairs and political affairs. * * * Each complements and supplements the other. They must be combined in a single unified and rounded policy. * * *" Through the 1934 Trade Agreements Act the Congress of the United States transferred its constitutional responsibility to regulate the national economy to the industrially inexperienced State Department—the ITO would make a second transfer to the control of the foreign nations.

Both Secretary of State Acheson and his assistant, Mr. Thorp, have appeared before that same House committee early in 1950 and urgently requested that the International Trade Organization be approved at an early date. The ITO is on the President's "must" list.

Senator KERR. Are you aware that the ITO has been abandoned?

THE INTERNATIONAL TRADE ORGANIZATION

Senator MALONE. No, I am not, and it has not. They are giving you lip service now until you approve the proposed extension of the 1934 Trade Agreements Act.

Senator KERR. You are aware that that statement was made by the Secretary of State?

Senator MALONE. Yes, sir, I am aware that many statements were made before this committee over the last 17 years and I have been reading them that long. I was doing it 15 years before I came here.

The State Department propagandists have led the producer along and whetted him down on every occasion, telling him that we are going to raise everybody's living standards and advance the markets of this country in foreign nations, when the effect of what they are doing is the absolute antithesis of such a thing.

BUYING FOREIGN TRADE

The only additional trade we have ever received is paid for by the taxpayer. I have a table, a record, to prove it. You have a reprint of it—on page 13 of the reprint on foreign trade you will find a table that shows you, in column I, the total production of exportable goods in this country from 1909 to 1950.

The next column shows the exports of United States merchandise, all in billions of dollars. The next one is a percent of the exportable goods actually exported. You will see the percentages as they go down. The next column shows the United States Government grants and loans to these countries in billions of dollars.

In column V we subtract from the exports the amounts of United States grants and loans; we get an entirely different picture. The sixth column shows, on a percentage basis, the legitimate trade that the taxpayer did not pay for, Mr. Chairman. So the statements that the trade agreements are increasing trade has its foundation in the fact that increased exports come out of the United States Treasury as deficit financing even in peacetime. The State Department publicists have been telling you that trade agreements are increasing the trade of this country. That is another statement that is absolutely unreliable.

Relation of United States exports to United States production before and after Government gifts, 1909–50

Year	Total production of exportable goods	Exports United States merchandise	Percent of exportable goods exported	United States Government grants and loans	Exports minus United States grants and loans	Percent of exportable goods exported excluding United States grants and loans
	I	II	III (II:I)	IV	V (II minus IV)	VI (V:I)
	Bil. dols.	*Bil. dols.*		*Mil. dols.*	*Bil. dols.*	
1909	17.4	1.7	9.8			9 8
1914	20.2	2.1	10.3			10 3
1919	47.5	7.8	16.3	2,539	5.2	10 9
1921	33.9	4.4	12.9	28		12.9
1923	44.8	4.1	9.1	−70		9.1
1925	47.2	4.8	10.2	−8		10.2
1927	47.5	4.8	10.0	−53		10.0
1929	52.8	5.2	9.8	−14		9.8
1931	32.0	2.4	7.4	7		7.4
1933	25.2	1.6	6.5	5		6.5
1935	33.1	2.2	6.8	0		6.8
1937	43.5	3.3	7.6	48		7.6
1939	41.4	3.1	7.6	16		7.6
1941	65.1	5.0	7.7	1,348	3.7	5.6
1942	89.0	8.1	9.1	6.434	1.6	1.8
1943	110.7	12.8	11.6	12,767	.1	.1
1944	115.0	14.3	12.4	14,016	.24	.2
1945	103.8	10.3	9.9	7,659	2.7	2.6
1946	104.2	10.0	9.6	5,535	4.4	4.23
1947	125.5	15.1	12.1	6,233	9.9	7.9
1948	138.3	12.5	9.1	5,523	7.0	5.1
1949	128.3	11.9	9.3	6,052	5.9	4.57
1950 (January to June)	66.8	4.8	7.2	2,383	2.5	5.06

1947–49 revised data.

Table based on data prepared by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

ITO MAY FIX TARIFFS AND QUOTAS

I want to complete the explanation of the ITO, for the record, because in my opinion they have not abandoned it but simply softpedaled it for the time being. The ITO would be an organization of 55 or 60 nations. If we approve it on the Senate floor it means that the ITO may then fix our tariffs or import fees. There are 125 pages of the ITO Charter, but to boil it down in two paragraphs, this is what it means, that the Organization can fix the tariffs and import fees of the member nations and further, may fix quotas for such members.

If the other members of the ITO think we are producing too much wheat or oil, the smart people around the ITO table know what we need and they will apportion or allocate production, as the Secretary of Agriculture now does with certain agricultural products. So the ITO means the final surrender of the authority over our economy. The original membership would have been for 3 years, and then with 6 months' notice we could get out of the ITO but we would have been so bloody by that time that we probably could not get out at all.

PROVISIONS OF ITO LARGELY INCLUDED

Let me point out also that even if the ITO is never approved, in the Geneva agreement they put into effect the Commercial Policy Chapter of the ITO Charter. This organization called GATT is so intricate, has so many sleepers in it, that to escape from its many obligations and complications is almost impossible.

GENERAL AGREEMENTS ON TARIFFS AND TRADE—GATT

Senator MILLIKIN. GATT is the heart of the ITO.

Senator MALONE. Yes, sir; and it has been adopted.

Senator MILLIKIN. And intended only to be provisional, leading to ITO. Now they have abandoned ITO and trying to make the provisional part permanent. Is that correct?

Senator MALONE. The GATT is just like many of these "temporary" measures that we have undertaken in this Government for 16 or 17 years. They are never repealed. They are like "temporary" taxes which are never repealed.

Senator TAFT. I have not followed this as closely as you have. I have seen GATT written out. But what is the legal sanction for GATT? Is it incorporated by reference so to speak in every reciprocal trade agreement?

Senator MILLIKIN. What they do is to have a multilateral negotiation. They start out by having teams work between countries. They work up a concession as a result of that process and put the whole thing under the umbrella of GATT and thus make every bilateral agreement multilateral and there is no authority for doing that any place.

There is nothing in the Reciprocal Trade Act as originally passed or as amended to warrant anything approaching that kind of a usurpation.

Senator MALONE. Mr. Chairman, I want to point out while we are on that particular point that there are many things that were not in

the original 1934 Trade Agreements Act as passed by Congress—but were written in by State Department edict—under the latitude granted in the original legislation.

Senator MARTIN. I do not know whether this is entirely proper or not, but the Senator from Colorado is so familiar with these things: Who represents the United States in agreements of like agreements to that of GATT?

Senator MILLIKIN. The State Department.

Senator MARTIN. Are they industrialists, labor men, or what?

Senator MILLIKIN. To answer that question, one time we had the biography prepared of every man there. To answer your question, there are no industrialists, there are no labor men. There are bright fellows with good scholastic records and some experience in the Government. I will make one exception. At the time we did that job Will Clayton was the principal exponent of the work. Will Clayton is an eminent, outstanding, distinguished man in the exporting business for cotton. He was the only man that had ever had any important business experience on the whole team.

I am not exaggerating. To find out the correct answer to your question we had the biographies of every negotiator over there submitted and there was not one with any important business experience, not one, except Will Clayton.

Senator MARTIN. That is very important. Of course, it has always been my understanding that to get a job of that kind properly done you have industrialists and representatives of labor unions, because labor has a great stake in this thing, probably greater than anyone else. That is interesting to me, and I thank you very much.

Senator MILLIKIN. That tells you a lot of the whole story.

PLANTS IN FOREIGN COUNTRIES

Senator MALONE. Mr. Chairman, right on that point, Mr. Clayton is one of the principal men in foreign trade, a very smart man and I admire him very much although I agree with very little he does or says. He is interested in exporting, he is interested in importing. He owns production plants in other nations.

However, I am talking about the men, the small-business men in this country and industrialists and the working men, who cannot go to another country with their investments or with their work.

That is what I am representing here today. I am not representing the Will Claytons, and the owners of production plants in foreign nations.

I know where his interests lie, and I do not blame him because it is the fault of Congress, not of Will Clayton, that he is enabled to do that.

Senator MARTIN. Mr. Chairman, that foreign-trade reprint is a very wonderful compilation. I have read this. Do you have any compilations of the industrialists in America who had their factories in various parts of the world?

Senator MALONE. I was coming to that a little later.

Senator MARTIN. In my own State we have several concerns with factories in various parts of the world. We have bankers with investments in various parts of the world. I find that they are the ones

urging me to vote for the extension of this agreement without any reservation.

Senator KERR. I tried very hard the other day to get information from one of the witnesses who seemed to be very well informed, and who was opposing the trade agreement as now written. I tried to get from him information as to the percentage of our imports that are brought in by companies that are American-owned. Either I misunderstood what he was doing or he very adroitly evaded the question. If Senator Malone has that information I would be grateful to him to put it into the record.

Senator MARTIN. For years and years I have advocated reciprocity among nations. I wish the time could come when we could have trade without thinking of national boundaries. But as long as we have this variance in wage rates, I do not see any way to avoid it, because if we are going to keep up our living standards here in America, the men who work out in these small industries in our little towns have got to have an opportunity to work.

But I am for reciprocal trade all over the world. It is a two-way street. I do not want it all to be favorable to other countries. It must be a two-way street.

Senator MALONE. Mr. Chairman, it is not a two-way street. I would like to tell you why.

Senator KERR. The Senator from Pennsylvania is not saying that it is, he said it must be. I am sure the Senator from Nevada would subscribe to that.

MOST-FAVORED-NATION CLAUSE

Senator MALONE. I certainly would subscribe to that. But you cannot bring it about, Mr. Chairman, by agreements to lower tariffs. In the first place these agreements made under the Trade Agreements Act are not trade agreements. They have no remote relation to trade agreements. They are agreements between two nations to lower tariffs and import fees. And then the most-favored-nation clause makes any concession advantage we give available to every nation on earth.

Senator MILLIKIN. I suggest that in addition to being agreements between two nations, one of the great defects of the system is that every concession of primary concern only to two nations, whenever you try to fool with that single concession, it becomes an international problem because they have internationalized the whole thing or tried to under GATT.

HAND-RAISED ECONOMISTS

Senator MALONE. That is the trouble. We have these hand-raised economists who never have been in business, have no experience in how a business is run, experience every businessman has acquired through sweat and blood.

Men like those sitting on this committee have spent their full time in business, trying to find out how their business can mesh into the economy. Then a fellow comes along who has never run a business but who has been schooled in theory.

He sees something which seems wrong, and he believes that if he corrects it everything will be all right. What he does is like throwing a rock at a duck on a pond and the waves rock a boat under the

bushes which he does not see. So he throws out of gear the mechanism of national economy and then the taxpayer must pick up the check to keep it running.

The Chairman of this committee today has sweated as much as anybody else on earth trying to find oil wells and trying to fit them into the economy so that he can sell his oil without having his wells shut down by importing a million barrels of oil a day, from low-living-standard countries under unfair competitive conditions. I have seen the oil areas of the Middle East.

WORKINGMAN AND INVESTOR UTTERLY DESTROYED

No one has objected to fair and reasonable competition. I have never heard anyone object to a fair and reasonable competitive proposition on trade. They will pit their skill against anyone on an even basis. With one hand this Government claims to protect little business and preserve the workingman, and then utterly destroys him with the other.

SAFEGUARDS OF WORKINGMEN MORE THAN WAGES

Mr. Chairman, talking about wages, I want to point out that the industrial insurance, the unemployment insurance, and the Social Security that you pay on your workingmen is more than the wages in half the world today. And they have no protection against injury or unemployment.

Senator KERR. Would you say that again, Senator.

Senator MALONE. The industrial insurance—I do not know the rates in Oklahoma but I presume they are about the same as anywhere else, they have to pay the freight—the industrial insurance you pay on your workers, the unemployment insurance, and the social-security adds up to more than the workers in many of the competitive nations get for a working day.

How can you compete with it? When you get down to a reciprocal proposition on anything, based on honest give and take, the only way that you can get it, Mr. Chairman, is to use some method of equalizing the competition.

THE MINIMUM WAGE LAW

We do not control the wages in the foreign nations. We cannot pass a minimum wage law in England or in Arabia, or in China, like we passed one here of 75 cents. All of us voted for it, I think. We can not force foreign nations to pay industrial insurance so that when one of those men gets hurt he is taken care of in a hospital. We cannot force social security on foreign nations. But, Mr. Chairman, what we can do is to have that difference in cost represented in a tariff or import fee as a floor under your investment in the oil wells, a floor under the workingman's wages.

Then as foreign countries begin to pay these charges that we pay into the Treasury of the United States, into the treasury of our own States, or into a special fund, and as they raise their wages, as they approach our standards of living, we can lower tariffs under a flexible basis. As a matter of fact, we already have the right to do that under the flexible provisions of the 1930 Tariff Act, section 336.

FLEXIBLE PROVISION 1930 TARIFF ACT

It has never been repudiated and it is a good provision. It was used 135 times, 125 times between 1930 and 1934; 10 times since.

I do not know how they came to use it those 10 times. The administration certainly does not believe in it. But as foreign nations increase their costs of production and increase their wages and standards of living you can lower the tariff or import fee—then when they are approaching our standards free trade is the almost automatic result.

Senator TAFT. Those 34 cases, did they increase it or decrease it?

Senator MALONE. There are about 40 cases where the Tariff Commission decreased the tariff, 40 where it increased the tariff, and the remainder they did not change it. That is the principle to use in preserving our economy.

Under section 336, Tariff Act, 1930, 117 investigations were ordered on 135 different articles. As of February 13, 1951, the following disposition was made in the case of each of the 135 articles:

The duties were increased on 32, decreased on 31, no change in 67, indeterminate, 1, awaiting further investigation 4. But only 10 of the changes were since 1934. The Administration does not use this flexible provision any more. So if the Trade Agreements Act were to expire, or if you were to abolish it forthwith, as I certainly advocate because the job is going to be finished before June 12, then you are right back on that flexible import provision which allows changes up 50 percent or down 50 percent on existing tariffs on all products not covered by trade agreements.

There is not too wide a field left because trade agreements have covered a lot of products. The principle is there however. I will come to it later. I think the principle should be broadened and made more workable. It is workable enough within its limits, and the Tariff Commission is able to administer it. The Tariff Commission down here, is a very able Commission, I might say, if you let the Commissioners alone, and do not threaten them with not reappointing them if they do not do exactly as somebody else says.

So I merely say to you again, Mr. Chairman, that our only method at this time, lacking control over any foreign nation, is to handle our own business in such a way that it is to the advantage of foreign nations to pay their help more instead of paying sweatshop labor wages; to pay social security, to pay unemployment insurance, to pay industrial insurance like we do. And when they are living abroad about as we are here, and all these things are taken care of, under this flexible system free trade will automatically result.

FREE TRADE OBJECTIVE

As the Senator from Pennsylvania said, we are all for free trade, but some of us want to preserve our national economy while we are bringing it about so that we can defend ourselves as well as assisting other nations.

The national defense is the subject of the debate now on the Senate floor. But the methods we are using in regard to trade and foreign aid would level us with the rest of the world. I said on the Senate floor one time, when it was said we were going to bring everybody

up to our standard of living with 6 percent of the population, through the division of our markets, I said it looks to me as if we were taking a glass of water and level that with the water in the city reservoir by just pouring it in. Your glass would be empty but the level of the water in the reservoir would not change very much.

PRODUCERS WITHOUT SUBSIDIES DO NOT SUPPORT FREE TRADE

I will say again that there is no record that I have been able to find of any producer that is affected by these tariff manipulations, supporting the Trade Agreements Act. Some will say that with the necessary amendments it might work. All are nervous when they oppose the well-known administration principle of the division of markets, the transfer of American jobs to foreign soil, for fear of reprisals. They make no bones of it in talking to me.

AFRAID OF REPRISALS

I have had word sent to me that "We are for the principle that you are working on, we believe in it, but if we are found advocating it we will not get certain contracts that can be handed out through the influence of the State Department through ECA, and so forth."

DESIGNED TO BUILD UP FOREIGN NATIONS—NOT TO PRESERVE JOBS HERE

Perhaps that should be a subject for investigation sometime. But that is fact. I can name names, but I would not do it here. They are afraid to come here and openly oppose it on account of their businesses. The Trade Agreements Act is designed to build up foreign nations. It is not designed, Mr. Chairman, to preserve the economy of the United States of America.

One of the slogans or catch phrases to sell the free-trade idea to the American public, Mr. Chairman, is that "we cannot be prosperous in a starving world." We must level our living standards with those of the nations of the world, we must divide our markets with them, on the theory—some say openly—that that is the only way that you can have perpetual peace, by everybody living alike.

NATIONAL ECONOMY DELICATELY ADJUSTED

That is wonderful, Mr. Chairman, but I would rather like to see foreigners come up to our standards and not have us go down to theirs. The point is that theorists do not understand and probably never will understand that the national economy is a delicately adjusted instrument.

A business, a successful producing business, is a product of many years of meshing with the other economic factors of the national economy. Factors, Mr. Chairman, that even the managers of the business cannot accurately gage. But through driving energy and constant application to the details of the management it becomes an intricate part of the economy, or it fails.

HAND-RAISED ECONOMISTS

I ran a business for 30 years and did not ask for Government money, I do not think the distinguished chairman of this committee got any either. We had to sell something, a product, to make the business go. If we did not sell it, we had to talk to the tax collector or to the receiver. But that is not the idea of these hand-raised economists with no experience whatever, as the distinguished Senator from Colorado so ably said.

THE TAXPAYERS PICK UP THE CHECK

Anyone can run a business if Uncle Sam picks up the check. There are no problems because they do not know anything about it. There is a saying that no one can talk quite so convincingly on a subject as someone entirely unhampered by the facts. The administration says that the imports into this country of a certain product as a result of its actions only amount to from 1 to 5 percent of the consumption.

In the first place the percentage, whatever it is, does not spread evenly over the country. It will result in 1 percent in some sectors of the country or market and 25 percent in others. And in any case that extra 1 percent in many industries may easily spell the difference between success and failure. That 1 percent is what every manager is after. If he can break even, he can live. If he gets that 1 percent, if he can keep the 1 percent, he will make a profit.

Senator MILLIKIN. If I may suggest to the distinguished Senator, the purpose of the Reciprocal Trade Act under the announcement of those who promoted it, was not to govern it on the basis of over-all statistics. It was stated that no particular producing industry would be injured. And so the question is, What is the over-all situation? Does this particular industry suffer injury on the threat of it?

All through these hearings you see an attempt to distinguish between that simple problem which is before us and vast over-all statistics, leading to the point which you have just made, that this is only 1 percent, or this is only a half percent and nobody is hurt.

When you pin them down then they will say that "I am thinking in terms of balance, over-all balance, the over-all economy."

Senator MALONE. Mr. Chairman, I want to say to the distinguished Senator from Colorado, he has his finger right on the sore spot. The administration uses two languages. The investors and workingmen, whose whole lives depend on the success of these industries, workingmen who get ordinary wages with a house half paid for and the kids in school, they are worried but do not understand what is happening.

What do State Department officials say? They say that is all right, no individual industry shall be allowed to suffer injury. But when somebody questions them at another meeting they say 1 percent of the economy, 2 percent, what harm can that do?

But they will put you out of business with unfair foreign competition. A relatively small sector of the economy—automobiles, heavy machinery, and other heavy equipment—may not yet be endangered, because competition is slow in developing—but will run into trouble as foreign low-living-standard European countries come into the market.

FREE TRADE AND FOREIGN MARKETS

Mr. Chairman, since the distinguished Senator from Colorado brought the subject up I am going to say my friend Jim Rand, of Remington Rand, practically closed his business in New York.

Where is he going? He went to Scotland where the wages are lower. He is now going to Japan where you can get the best skilled labor, for from 7 to 12 cents an hour. So this country not only loses the foreign market in typewriters, but also will send his products into this country under the free trade set-up. The stenographers and typists who are pecking away on typewriters will be doing it before very long on typewriters made in Japan and $10 and $15 a week will be taken out of their salaries to pay for the unemployment and subsidies made necessary here because of such a program.

1934 TRADE AGREEMENTS ACT—TRAITOROUS TO WORKINGMEN

That is the effect of the migration of industry, and some of the people are beginning to realize it.

The 1934 Trade Agreements Act, Mr. Chairman, is a traitorous act to the workingmen of America and to the investors and the small producers and businessmen of this country. It is a traitorous act due to this double-talk that the able Senator from Colorado just outlined. The administration is on the side of the competitive nations—while giving lip service to the workingmen and to small business.

The administration claims it is for the workingman and for the small investor and small business, and then pulls the economic rug right out from under his feet by an act passed by Congress, Mr. Chairman, not by the President of the United States. He only recommended it. Congress does not have to pass it.

Senator MILLIKIN. I suggest if they are not for anybody they are not for the little-business man, because the little-business man is a man who has a high quotient of labor in his product, and he is the fellow that is affected by their urgings in foreign countries to get into this market, not in automobiles, not the things where we can really compete, but to bring the products in here that will injure the small-business fellow, the little payroll, as Senator Martin refers to in these one-factory towns.

That is over half of the economy of this country.

SMALL BUSINESS—BACKBONE OF SECURITY

Senator MALONE. Mr. Chairman, the Senator from Colorado has his finger on this thing. The little-business men, the many thousands of them, are not only the backbone of the economy of this Nation, but they are the backbone of the defense of this Nation. There have been more than a hundred of them in my office in the last few days.

They say to me; "What will we do in the hearings? Will the Senators be mad at me? I have never been before a committee before." I told them to talk straight to you, that you will be glad to hear from them.

Senator MILLIKIN. It has not been very long since Mr. Hoffman, a very able man, was making speeches in Europe in connection with the ECA program, urging these people to put their imports in here that

had a high labor quotient, which would have the very effect of knocking off the little business of this country.

Senator MALONE. Mr. Chairman, the able Senator from Colorado is telling my story. He has the story, knows the story. Mr. Hoffman wrote me a letter once after I had made a speech on the Senate floor. I am very fond of Mr. Hoffman personally, but I believe in nothing he does. I informed him of that fact in a letter.

When I said on the Senate floor that he advocated a lower tariff on butter, for example, so that Denmark could sell butter in this country, I said "I suppose the people of Wisconsin who own dairies would be happy to know that."

IN DISAGREEMENT WITH MR. HOFFMAN

I went on at some length and mentioned a lot of other matters. He said in his letter that he did not advocate such steps. I pointed out to him where he did advocate them and said that I was so thoroughly in disagreement with everything that he was doing that there was no room for compromise.

So is everybody else when he understands it; the taxpayers, the stenographers and the workingmen of America, and the little businesses that mesh into the economy. I believe they would move on Washington if they understood thoroughly what we are doing, wrecking them entirely and completely.

NATIONAL SECURITY

Another thing, as to those little businesses, who are they? Many of them are looking for a contract to help in national defense. They will make fuzes, they will make shells, they will make thousands of things that they can convert their plant to, because they have the trained workers to do it.

If we destroy them who is going to make those goods? In my talk before the Senate in 1949 I stood on the Senate floor about 4 hours, and explained the effect of the State Department's program on the workers and investors and that is a pretty good compilation, too.

DESTROY MARKETS—DESTROY INDUSTRY

The fact is that you destroy these little people by destroying the markets for the things they make; by turning a State Department loose that has no thought of their protection and of the preservation of the economy, but insists in promoting imports.

IMPORTED OIL CHEAPER

Their actions simply tell you that they are not for preserving your oil business in Oklahoma. Why should you produce oil in Oklahoma if it can be produced cheaper someplace else? They say it in so many words. Perhaps they did not mention oil—they mentioned everything else.

The State Department says nothing about the $15 or $20 a day that you are paying your men, as against the 50 cents a day and $2 a day, perhaps $2.50 or $3 paid in other countries. Nothing said about that.

But these little people that the administration claims it is for, whom it says it wants to help, they are the ones who get pushed out of the picture and into the street by the sweatshop labor in Europe and Asia. That is exactly what the administration's program is, and the only way this committee can stop it is to stop the Trade Agreements Act.

THREAT OF INVESTIGATION

You cannot save the workingman and the investor by shying away every time somebody points a sharp stick at you and says that he is going to investigate your income-tax return or something else. That is what the administration does to these small manufacturers who come here and have the temerity to try to protect their own business from destruction.

Senator BUTLER. Senator, you may have covered one phase of the subject that I am very much interested in. You will not have to repeat it. I can read the record.

Heretofore I heard you say that there is a connection between the payment of agricultural subsidies and the flexible tariff. Can you elaborate on that?

FARMER SUBSIDIES SAVES HIM FROM RUIN

Senator MALONE. The distinguished Senator from Nebraska has touched a very important phase of this problem. Except for subsidies the farmers would not be in business today. We lowered the tariffs and import fees on agricultural products along with everything else, and then had to provide subsidies to save the farmer from ruin.

SUBSIDY VERSUS TARIFFS

The industries that we choose to have survive we save by either not lowering the tariff on competitive imports or we provide for a subsidy in lieu of the tariff.

The difference between a subsidy and a tariff, by the way, is very short and to the point. A tariff is paid eventually by the ultimate consumer of the imported goods.

A tariff goes into the United States Treasury; it can be used to pay debts, it can be used to lower taxes, which of course nobody apparently wants to do anymore, but it could be used for that.

A subsidy is an additional tax on all the taxpayers to pay to certain people to keep them in business. And today, if you had a flexible import fee based upon fair and reasonable competition, 80 to 85 percent of the agricultural products do not need a subsidy.

The two commodities that need a subsidy are cotton and wheat, and very few others, because a tariff would take care of the differential of cost of production and then no agricultural products could come in except on the basis of fair and reasonable competition. And then those commodities do not need a subsidy.

But you see, you support a man with a subsidy and he says "I am getting along all right, why should I worry about free trade. It is wonderful." But the taxpayers of America are paying for the subsidy and sometime they will get tired of doing it. When they get tired enough of it, I will say to the distinguished Senator from Nebraska,

all of us together could not hold the subsidy on agricultural products and then the farmer is broke.

PRODUCERS VERSUS PERCENTAGE DEALERS

The producers, the men who meet the payroll, are against this free trade, Mr. Chairman, and the percentage dealers, the men who take their percentage off the top, are largely for it.

The economy of this Nation has been kept alive through deficit financing. A lot of people ask why we need deficit financing in peacetime. Somebody has to pick up the check if you are going to pay the subsidies instead of tariffs on a basis of fair and reasonable competition. That is the prime reason for deficit financing—to hold the economic structure in the face of imports from low-wage living standard countries.

Anybody can run a business if somebody else makes up the deficit at the end of the month. With the people I see sitting around this table, nobody picks up their checks. They have to make their accounts balance.

DEFICIT FINANCING

That is the reason why hand-raised economists think they can run the economy of this country and why we must do our farming on the Senate floor by providing subsidies and relief; because we are delving right into the United States Treasury every day to pick up the deficit of the free-trade program.

I want to say now that there is no difference between an individual and his unbusinesslike practices and the government, except an individual is through when his bank quits him, and the bank quits him very quickly when it sees he has no business future. But the Government is not through until the money it prints has no value. That is something the committee would do well to consider.

THE WORKERS VERSUS INFLATION

This inflation is proceeding so fast that you can raise the wages today and the men are underpaid tomorrow. You cannot live on them. Inflation has the effect of lowering both wages and the tariffs and import fees.

Senator MILLIKIN. Or you can raise taxes today, and within 3 or 4 months all the money that you raised from those taxes have lost their value.

RAISE WAGES—RAISE TAXES

Senator MALONE. The tax money has lost its value, and we have a policy of doing just that. I have a clipping service and I can show you a hundred clippings showing how Government officials say we will raise wages and raise taxes to siphon off the additional purchasing power. You can raise the stenographer's wages and raise the taxes so they get no actual raise in pay, it simply looks better on their pay checks. That is a definite policy of this Government.

Senator TAFT. Would you mind stating the flexible fee proposal that you have? You suggest first that if this Trade Agreements Act is not passed that we go back to the trade-agreements provision of

1930. But that is not the proposal that you ultimately favor. You favor a flexible import fee bill.

Just how does the machinery of that proposal work? I do not know if you covered that before I came in.

Senator MALONE. No, sir; I would have gotten to it later, but this is a good time for it. The flexible provisions of the 1930 Tariff Act, section 336 is available and would be utilized by the Tariff Commission if the 1934 Trade Agreements Act is not extended.

Senator TAFT. It is getting along toward 12 o'clock and I am interested in that.

THE FOREIGN TRADE AUTHORITY, S. 981

Senator MALONE. The flexible import fee provision of the 1930 act is limited. Tariff changes are limited to 50 percent up, or 50 percent down, according to the Tariff Commission recommendation. In addition, articles cannot be put on the free list or be taken off the free list.

The bill, S. 981, which I have proposed and introduced would turn the Tariff Commission into a Foreign Trade Authority.

Senator TAFT. I have seen the bill and know generally what it is.

Senator MALONE. It would turn the long-experienced Tariff Commission—and it is long-experienced—it would turn it into a Foreign Trade Authority because this more nearly represents what it does, and would lay down a general principle and policy by Congress to the effect that the tariffs and import fees must be fixed on a definite basis of fair and reasonable competition.

The Foreign Trade Authority would be just like the Interstate Commerce Commission that Congress established so long ago and for which it laid down a principle under which it must operate. If it departed from this principle you would have the officials up before your committee. The authority would have the same latitude in adjusting tariffs and import fees on the principle of fair and reasonable competition as the ICC has in fixing freight rates for the carriers on the principle of a reasonable return on investment.

I served 8½ years on the railroad commission of Nevada. We held many hearings representing the Interstate Commerce Commission. What was your problem there? Your problem was to determine the value of any given public utility, and to determine a reasonable return. If the utility was in a farming community the fair return might be very low, anticipating many years of earning capacity.

In a mining or oil community where values might diminish, that might play out at any time, a higher rate but a reasonable one that would stand up in court is used. The Foreign Trade Authority would determine tariffs and import fees on the principle laid down by Congress of a fair and reasonable competitive basis.

Senator TAFT. What do you mean? Goods come in from England, we will say.

Senator KERR. As I understand it, they would figure out what would be a fair return with reference to the similar industry in this country.

Senator TAFT. A fair return to the British industry?

Senator KERR. No. They would fix a fee on the import to equalize the cost of that import up to where it would not be below the price

charged locally that would produce the local man a fair return on his investment.

Senator MALONE. That is roughly it, although the Authority has latitude to determine if that price is a fictitious price, or that domestic production is unbusinesslike, inefficient, or wasteful. They can investigate all these factors.

FAIR AND REASONABLE COMPETITIVE PRINCIPLE

On page 11 of this pamphlet you will see section 336 "(a)" and below it:

The authority is authorized and directed, from time to time, and subject to the limitations hereinafter provided, to prescribe and establish import duties which will, within equitable limits, provide for fair and reasonable competition between domestic articles and like or similar foreign articles in the principal market or markets of the United States. A foreign article shall be considered as providing fair and reasonable competition to United States producers of a like or similar article if the authority finds as a fact that the landed duty paid price of the foreign article in the principal market or markets in the United States is a fair price, including a reasonable profit to the importers, and is not substantially below the price, including a reasonable profit for the domestic producers, at which the like or similar domestic articles can be offered to consumers of the same class by the domestic industry in the principal market or markets in the United States.

(b) In determining whether the landed duty paid price of a foreign article, including a fair profit for the importers, is, and may continue to be, a fair price under subdivision (a) of this section, the authority shall take into consideration, insofar as it finds it practicable—

(1) The lowest, highest, average, and median landed duty paid price of the article from foreign countries offering substantial competition;

(2) Any change that may occur or may reasonably be expected in the exchange rates of foreign countries either by reason of devaluation or because of a serious unbalance of international payments.

MANIPULATION OF CURRENCY—TRADE ADVANTAGES

Let me say at this point it is impossible, utterly impossible, to deal with or make a fair trade agreement with a nation that manipulates its currency and they practically all do. When the United States had concluded several trade agreements with England, she devaluated her currency 43 percent and it amounted to lowering our duties and import fees on all articles imported from England by 43 percent.

Senator KERR. You mean that thereby they gained an advantage in their international trade position which apparently they had not acquired in their international trade agreement?

Senator MALONE. They acquired an advantage of 43 percent overnight. And then other nations followed by devaluating their currency in turn.

Senator KERR. But the figure has emphasis only in that it achieved for them an advantage through the devaluation that they had not achieved through trade agreements.

TRADE AGREEMENTS—ONE-WAY STREET

Senator MALONE. That is right. To have an inexperienced State Department sit down with nations and make trade agreements when foreign nations have all of these unfair methods at their disposal, is silly. They immediately then put on import quotas, licensing re-

quirements, exchange controls, embargoes, and specifications which effectively turn any so-called trade agreement into a one-way street.

For example, a few years ago we suddenly found there were specifications on automobiles that could be used in Bermuda. Roads they said, were poor, and there was not much money for roads. But it was found almost immediately that only English automobiles came up to the specifications for use in Bermuda.

A fact often overlooked is that the manipulation of the price of the foreign money in terms of dollars has a direct connection with our tariff rates. And to have these hand raised economists and inexperienced State Department people, so ably described by the Senator from Colorado, dealing with these foreign nations which have made a living for a hundred years in smart foreign trading throughout the world, is just like a neophyte sitting down in a professional poker game. You know the neophyte is going to lose, only you do not know how long he will last.

Senator TAFT. Is there any adjustment of tariff rates to balance the devaluation?

Senator MALONE. There was not. Not under trade agreements. There cannot be.

Senator TAFT. When you finally get down to this job of fixing this flexible fee, it goes back to the basis in effect of substance of the difference in cost of production, does it?

Senator MALONE. Considering all of the factors.

Senator TAFT. It finally comes to that?

Senator MALONE. A difference in the wage and living standards and other factors.

Senator TAFT. When they fixed that fee on January 1, 1951, it stays then until they change it; is that it?

Senator MALONE. Under the Trade Agreements Act it cannot be reconsidered for 3 years except through mutual agreement or the escape clause which is very impractical.

Senator TAFT. I am talking of your proposal.

FAIR AND REASONABLE COMPETITION

Senator MALONE. Under S. 981 the level of any given import fee remains until it is changed under a motion by the Foreign Trade Authority, by Congress, or by application of interested parties. The facts are then investigated, hearings are held, and then final determination is made according to the principle laid down in this bill, the principle of fair and reasonable competition established by Congress.

Senator TAFT. Two difficulties that have arisen in the attempted difference in the cost of production: One relates to the difficulty of finding out what the cost of production is. What do you do about that in a foreign country?

DETERMINING FAIR AND REASONABLE COMPETITION

Senator MALONE. I am very glad that the distinguished Senator from Ohio brought up that point. Foreign nations do cover up their real costs, through subsidies to industries, food subsidies, and so forth, all of which makes for lower wages and confusion as to real costs.

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In other words, they are thoroughly familiar with all subterfuges in showing real costs; therefore, it is to their advantage to tie us up with rigid tariffs under the Trade Agreements Act.

Senator KERR. The Senator was asking you how it would be under your proposal.

Senator MALONE. I had to explain what the reason was for not relying on cost-of-production data. What you do with the flexible import-fee bill, S. 981, which does not require the investigation of any costs of production whatever, is to take the landed duty-paid price or the offered-for-sale price from which to determine the import fee.

Senator TAFT. What would you do in the case of copper from Chile where part of that cost appears to be Chilean taxes? You would have to count that in as part of the cost of production.

Senator MALONE. As I explained, that is not necessary. I do not think it would take very long if you started to operate on the basis of this flexible-import-fee bill until there was an improvement in the honesty of international trading all over the world. Foreign countries would quit trying to beat us in this game by dishonest subterfuges, and come up with some real costs, although it is not required in the bill. The flexible import fee of fair and reasonable competition, under S. 981, would make such manipulation by foreign nations unprofitable.

Senator TAFT. The second thing which bothered me, you may have an industry where the American cost is very much higher and the American possible product is very much lower.

Take manganese, for instance. We can only provide or do provide a small proportion, 10 percent, in this country. I may be wrong on the facts, but assume that we provide only 10 percent of our own requirements for consumption. Is it proper to increase the cost of this 90 percent that comes in by high tariffs which have to be high because of the big difference in the cost of production, thereby raising to the consumer the price 100 percent?

Is there any limit? When we put in a standard, should we put it in this way or put it direct to the Tariff Commission, confining it to substantial industry or to a place where we do provide our industry with some percentage of the total consumption?

QUOTAS MAY BE INVOKED

Senator MALONE. All of those problems are taken into consideration in this bill. They can be solved by the imposition of quotas on imports if the authority decides it is the most practicable way. It is the fair and reasonable competition principle to be adhered to, and the Foreign Trade Authority is given the necessary latitude to carry out the principle.

In the first place, tariffs and import fees represent that difference in cost and is paid into the United States Treasury. It can be used in lieu of taxes, to lower taxes. It is money in the Treasury for which you would normally raise taxes to get.

The holding of the wage standard of living in this country by providing fair and reasonable competition is the most necessary step. But, if it comes to the point where there is so little of any given commodity produced in this country that it might become too costly if import prices were weighted out of proportion to be equalized by a

tariff, the quota system can be used. That is provided for in the flexible-import-fee bill, S. 981.

CONGRESS KEEPS CONTROL

Another thing that is provided for, I want to say to the distinguished Senator from Ohio, is that Congress keeps control under this proposal. An order to increase or decrease any import duty can be disapproved by Congress through a joint resolution within 60 days.

In the absence of such a joint resolution the change would go into effect. So Congress keeps control of the tariff but does not set the fees on the Senate floor, as was formerly the practice.

Senator KERR. Would that be a resolution with reference to a number of programs in one group, or would it be with reference to each one individually?

Senator MALONE. I think the resolution could be on each article individually, or it could be on two, three, or more findings of the Authority. It would be in the hands of Congress. Congress keeps the ultimate control over any tariff or import-fee changes, as the Constitution provides in putting the responsibility for the regulation of foreign commerce in the hands of Congress.

Senator BUTLER. The answer to Senator Taft's question is that any money collected to protect the small industry goes into the Treasury.

Senator MALONE. That, of course, is true.

Senator BUTLER. In that way it is redistributed for the benefit of all.

Senator TAFT. When you say "quota," what you mean would be this, I assume: If we are providing 10 percent of the market, you would not have to levy any tariff in that case because the tariff would be too big. You would simply let the merchandise come in but limit the total imports to 90 percent of the American consumption so there would be a market left for the American producer.

Senator MALONE. That is the principle laid down in the bill. The quota would be flexible. In other words, the quota would not be fixed by Congress at a rigid 7 percent or 3 percent or 50 percent, which could not be changed except by another act but would be flexible in the hands of the Authority, as freight rates for the carriers are in the hands of the ICC.

The quota could be reset after proper hearings. This is provided in the section found on page 11 of this pamphlet, where all of the provisions are laid down under paragraph "(h)" of section 336 of the bill S. 981:

> The Authority, in the manner provided for in subdivisions (c) and (f) in this section, may impose quantitative limits on the importation of any foreign article, in such amounts, and for such periods, as it finds necessary in order to effectuate the purposes of this act: *Provided, however*, That no such quantitative limit shall be imposed contrary to the provisions of any foreign-trade agreement in effect pursuant to section 350 of the Tariff Act of 1930.

DIVISION OF OUR WEALTH AND MARKETS

All of those problems, it will be noted, have been taken into consideration and are provided for under a principle laid down by Congress under the fair and reasonable competitive clause. You are thus effectuating a fair and reasonable floor under wages and investments,

and preserving the economy of this country instead of following the present objective of dividing the markets and wealth of this country with the foreign nations.

There are two theories regarding our economy. There are two philosophies in this whole field. Some of us hold to the philosophy that in order for us to protect ourselves and assist other nations we must preserve our economy in the process of helping other countries. Others say we must suddenly average our standards of living with the rest of the world. They say foreign standards on this basis will rise to ours. I think it is ridiculous on the face of it and I do not think any member of this committee would go along with it. The two philosophies are diametrically opposed.

One philosophy destroys our economy, and the other preserves it.

Senator KERR. If Senator Taft is through with his question, I would like to ask another along the same line. If I understand the principle of your proposal, it is this: The Tariff Commission would have authority to fix an import fee on everything that came into this country in competition with a producer of the same material operating in this country.

Senator MALONE. On a fair and reasonable competitive basis.

Senator KERR. Taking it a step at a time, he would have that authority?

Senator MALONE. The Foreign Trade Authority would have that latitude; that is right—just the same as the ICC has full latitude in fixing freight rates for the carriers.

Senator KERR. If I understand the way it would work, it would be this: It would be calculated to equalize the cost of that imported article, at the time it is offered for sale to the American consumer, with the cost of the American producer of the same article.

Senator MALONE. Determined under the basis I have already outlined, a fair and reasonable competitive basis.

Senator KERR. I understand that. That would be the objective.

Senator MALONE. That would be the objective. I think it is in answer to your question.

Senator KERR. I want to say to you what Senator Thye said to Russell on the floor the other day. How can you answer my question before I have asked it?

Senator MALONE. I am answering the first one you asked.

Senator KERR. As Ed says, "If I am in the presence of a man who knows what I am thinking before I say it, I am getting uneasy and I am going to leave."

Senator MALONE. Mr. Chairman, you asked two questions before you started to ask the third one, and I have only answered the first one. So, let me answer the second one first.

Senator KERR. All right. I thought you were getting ready to answer my next question.

Senator MALONE. No, sir; I was not. I know a good deal about the Senator, and I do not think he is for the present policy as I outlined it.

Senator KERR. I am trying to get the answers.

Senator MALONE. I do not know how you are going to vote.

Senator KERR. If you did, you would be a man who was a mind reader, because I have not made up my own mind yet.

Senator MALONE. I am glad you have not, and I always depend on that with the distinguished Senator from Oklahoma.

PRESERVATION OF OUR ECONOMIC SYSTEM

What I intended to say is that the philosophy under which this bill has been prepared is to provide a basis for fair and reasonable competition, always with the quota system and other methods in the background and depending upon the judgment of the authority, with final control in Congress and not in the State Department. But the prevailing idea is the principle laid down by Congress: The preservation of the economic system of this country and not its destruction.

I will be very happy to answer the next question, if I can.

Senator KERR. Have you answered the first two?

Senator MALONE. I think so.

Senator KERR. I thought you had, but you said you had not.

Senator MALONE. I had not up to now.

Senator KERR. As I understand it, the purpose would be to fix it so that the cost of the imported article to the man who sells it to the public at the time he offers it for sale is competitive, and that means about the same——

Senator MALONE. As in the oil business, imports would be on a competitive basis.

Senator KERR. As the cost of the same article in the hands of a man who either produces it in America or gets it from the American producer at the time he offers it for sale.

Senator MALONE. Of course, you cannot set a new tariff every day. You go according to the principle outlined and as laid down in the bill—it would be flexible.

Senator KERR. That is the objective?

Senator MALONE. Yes. In your oil business we know that oil wells were closing down before the emergency because of unfair competition. We know that coal mines were closing down for the same reason, but they would not have been closing down if the principle of fair and reasonable competition had been effectuated earlier, and the Trade Agreement Act had not been extended for so long.

In other words, the fair and reasonable competitive principle is what we are trying to adopt. Your own State produces petroleum and lead, candy, dairy products, beef, and many other products. They would all be under the same principle.

Senator KERR. That, as I understand it, is the objective; the competitive cost principle, that is the objective.

Senator MALONE. That is correct. In other words, we are interested in preserving the national economy of this country.

Senator KERR. I understand how we are going to defend it. I am trying to follow you step by step.

Senator MALONE. I appreciate that very much, Mr. Chairman.

Senator KERR. What I am concerned about is this: It seems to me that that would eliminate any competition from a foreign product with an American product.

Senator MALONE. Mr. Chairman, I can see that is a terribly important point for you, and I have been living with it a long time. I probably did not make it clear before.

Senator KERR. If that is not correct——

Senator MALONE. It is correct, and I want very much to answer that. What this act does is to establish a market here immediately

for every product of the foreign countries on a basis of fair and reasonable competition.

No consideration is given a high or a low tariff, but the principle of fair and reasonable competition prevails. No one I know objects to the principle of fair competition.

Senator KERR. The objective would be to equalize the cost.

Senator MALONE. The objective is to equalize the costs, including all the factors, establishing immediately a market in this country for all foreign products on that basis.

Senator KERR. And at the time it reaches the shelf for sale to the American consumer.

Senator MALONE. That is right. If it required a quota system instead of a tariff, as the question so ably asked by the Senator from Ohio indicated, then a quota could be used. The Congress has no method of going into it scientifically and studying it It must be left to a competent authority or commission such as the ICC on freight rates.

Senator KERR. Then I get back to the same question as I understood was in the mind of the Senator from Ohio. Where would we be with reference to the buying of the things that we need or have to have, maybe in a war effort or in the enjoyment of a peacetime economy, except out on the platform, whatever it might be, of being unable to import anything into this country at a price cheaper than somebody could produce it here no matter how scarce or hard to produce, or critical, or difficult of providing to the American market might be.

Senator MALONE. No, Mr. Chairman; that is not quite true. I want to go into that again.

Senator KERR. You understand I am not making a statement, I am asking a question.

GOVERNMENT DOES NOT PAY TARIFF

Senator MALONE. Yes, sir. I am very appreciative of that question. In the first place, on war material, as I outlined before this committee during the discussion on the tariff on copper, the Government does not pay a tariff. The Government buys for stockpiling and defense industries without paying tariffs. That is the law.

If a tariff were paid, it still would not increase the cost of the commodities, because it would go from one pocket into the other. As far as the junior Senator from Nevada is concerned, he sees no reason for the Government not paying tariffs. Nevertheless, they do not pay them.

The other point is that you can only be on one side of this question of tariffs: You either want to pay for a product produced by cheaper labor and reduce the standard of our own labor on that basis, and to that extent or else you believe in the fair and reasonable competitive principle. We believe fair and reasonable competition can be achieved through a tariff or a quota to hold the wage living standard here at approximately the present level. Then the standard of living here and abroad can rise together and we hope we shall go higher than we are now. To bring that about we must pay a price that goods can be produced for here, whether that involves fair tariffs or quotas.

In other words, there is only one result of the present policy: free trade and a drop in our standard of living in accordance with the living

standards of the competitive nations' unemployment. The junior Senator from Nevada was in the industrial engineering business for 15 years and used to get fees for determining what would be the effect on an industry if the tariffs on its products were reduced 2 percent, 5 percent, or 10 percent.

If he can do it, 10,000 others can do it. It is not too difficult. If you know the history of the production and consumption in this country and the imports and exports over a period of say 15 years, and any changes that have been made in the tariff rates during those years it is more or less apparent.

NO MIDDLE GROUND

But the point is that any time you lower the tariff by 5 percent on anything—a crop not under a subsidy, or textiles, or minerals—then the only way the domestic producer of any given commodity can stay in business is by lowering the wages and by writing off enough of the investment to meet the foreign competition. Or your labor will be unemployed, and the workingmen will be living off of the unemployment insurance we were talking about a while ago.

There is no middle ground. You simply have to face those two alternatives.

DEFICIT FINANCING

The widespread unemployment in this country we had on June 26, before Korea, amounted to about 5 or 6 million unemployed, and about 10 or 12 million partially unemployed. This condition was due almost entirely to the policy of the State Department of lowering the tariffs and import fees without regard to the differential of cost of production here and by the competitive nation.

A couple of months after the emergency came along the unemployment was pretty well cured. Much of the wages, however, was coming out of the United States Treasury on defense contracts and rearmament, in addition to increased consumption. Things we send to foreign nations in the form of arms and other aid, also largely comes out of the Treasury. That is a tough way to cure unemployment.

Maybe we will send some wheat that we have in the bins to India. A lot of people say there is surplus wheat so we will get rid of it. Those are the things we take out of the United States Treasury by deficit financing. We hold our wages and employment by going deeper into debt.

But sometime I hope the Congress will start studying our economic system and see what it is like, what it is about—this economic meshing of all the small businesses throughout the country. Then the Congress can approach the problem of foreign trade from a proposition that we want to keep our economic health while we help foreign people.

This sharpshooting policy of the State Department in the reduction of tariffs is simply, as I said before, a preconceived division of the markets of this country under the absolute stated principle, as the Senator from Colorado so ably said, to encourage imports into this country.

TWO PRINCIPLES OPPOSED—LIVING STANDARDS

I can understand anybody who thinks our living standard is too high, and wants to lower the tariff or import fee or increase imports of those commodities to lower our standard of living.

But those who say they want to hold our living standard in this country at the present level, and yet support the free trade program of the State Department are either insincere or are misinformed.

Senator KERR. American industry, whether one or many, supplying some demand of American consumption, finds itself in the position where it can only supply 25 percent of it. If they know that they are free from any competition whatever that can ever reach them on the basis of lower costs than they have, what incentive would there be for them to find better means of mass production or substitute materials or other things that would enable them to supply a greater portion or a greater amount at a lesser cost if they knew that so far as foreign competition was concerned nobody could ever interfere with their position?

BUSINESS INCENTIVE

Senator MALONE. I will answer the question of the Senator by posing one, and then answering it to the best of my ability. In the first place, what incentive is there to do that if you are going out of business anyway? Any new markets opened up in this country are immediately available to other countries. That is the reason why corporations and businessmen big enough to install plants in other countries are doing just that under the "free trade" system of the State Department.

Senator KERR. I would doubt that.

Senator MALONE. Maybe you will, but wait until I finish. Big business, either an individual or a corporation, can buy a textile plant in Scotland or stock in the plant by telephone. Under the present tariff policy American investors are moving to foreign countries with resulting peacetime unemployment, as already outlined.

If you are big business you can establish plants abroad and import your product under our reduced tariff. With flexible tariffs there is an incentive for domestic investment and expansion in this country. There is no advantage in expansion of domestic industry unless you are protected from the sweat shop labor of Europe and Asia on a fair and reasonable competitive principle.

Senator KERR. With reference to an item on the table here, as the one from the Senator from Ohio mentioned, we do not have enough in this country to produce the amount we need here.

Senator MALONE. I am not convinced of that, Mr. Chairman. I think an eminent mining engineer, Mr. Hoover, mentioned that in passing before the Foreign Relations Committee—that the Western Hemisphere could become self-sufficient.

Senator KERR. I want the Senator to know that I have a great deal more confidence in the judgment and position of the witness before this committee than I have in the one to whom he has referred. So far as I am concerned he would be better to give us the benefit of his own judgment.

Senator MALONE. I am glad to do that. There are very few things we cannot produce in this country—and I am talking about strategic

and critical materials and minerals—tungsten, manganese, chromite, mercury and so on. One of the largest low-grade chromite deposits anywhere in the world is in Montana.

We erected a $25,000,000 plant there. We were just getting into production but the minute the war was over they wanted this low labor cost competition so the Government wrecked the plant. The chromite is there, but it cannot compete on an even basis with South African production.

The reason that you cannot produce some of these products at present is the fact that we are not willing to pay the differential between the $10-a-day man and 40-cents-a-day man.

Senator KERR. Is that manganese?

Senator TAFT. There is a lot of manganese here but it seems to be very low-grade and high-cost.

Senator MALONE. That was correct before the electrolytic method of reduction was perfected. The flexible import fee principle would not prevent imports.

Senator MILLIKIN. May I make a suggestion to you? The questions of Senator Taft and Senator Kerr come down to a problem which affects a very small part of the whole problem. It comes down, in fact, to an infant industry.

Senator MALONE. That is correct.

Senator MILLIKIN. There was a time in our economy when we made the public pay via a tariff for having an infant industry established. Had we not done so we would have had no industry in this country. That is No. 1. No. 2—and let me proceed, and I think I can get you off a hook if you are on a hook, and I am not sure that you are on a hook——

Senator MALONE. I am not on the hook. I wanted Senator Kerr to clearly state a condition.

Senator MILLIKIN. Let us take the next. What these gentlemen are suggesting is that here is X quantity of consumption of wages in this country. Our infant industry is able to supply only 5 percent of the market. We can get imports from countries at half the cost of those wages. They are suggesting, Should we deprive the consumer of the benefit of those low costs in order to accommodate this infant industry which can only supply 5 percent of the market?

I suggest that if we do not have some mechanism for protecting that infant industry you will have a static economy, and I suggest that you may have to do it by special mechanisms. For example, we started out sugar in this country at one time.

Senator MALONE. Quotas and special legislation.

Senator MILLIKIN. We tried tariffs, we tried quotas, we tried bonuses. Now, we have a special mechanism for taking care of sugar, and sugar grew from nothing up to one of the great industries of this country.

I am simply suggesting that we should not be terrified by the fact that costs might be higher during the period needed to give American industry a chance to grow, because every day we are establishing dozens and dozens of new industries through technological advance.

When we do not protect those advances to give them a chance to be competitive our whole economy becomes static. It necessarily follows. So, instead of being alarmed by the fact that the public might be deprived of lower cost goods by protecting that industry, let us say that

one way or another, if we want this country to progress, we have to give it a chance to become competitive, and we may have to do it by special devices.

The tariff may not be the answer. Quotas may not be the answer. Bonuses may not be the answer. You may have to apply a variety of answers as we have in the sugar business. It may take very special tax treatment.

There is no absence or remedy to apply to that particular kind of a problem. We have got to find a solution or we destroy the advance of economy in this country.

Senator TAFT. My suggestion is that what we have to have are those alternatives. I do not believe you can apply arbitrarily a requirement on the Tariff Commission that they equalize the cost of production on every product, because of the expense of finding something that has to be mined.

You might start with a cocoa industry in this country, perhaps in Florida, but you would have to protect it at tremendous cost to do it.

If you want to do that I do not think you can do it by the tariff method. I am saying your principle will not work. If you have alternatives, that answers my question.

Senator MILLIKIN. Via quotas, via tariffs, via perhaps special tax treatment, via perhaps subsidies of one kind or another, we can work out a mechanism to take care of that small segment of the whole problem. I think it is a mistake to freeze ourselves to any rigid one-pill cure.

SENATE BILL NO. 981—SPECIAL PROBLEMS

Senator MALONE. The explanation by the distinguished Senator from Colorado is absolutely correct. These special problems apply to perhaps 1, 2, 3, or 4 percent of the economy, and can easily be handled either through the latitude given the Authority, or if important enough through special legislation.

If this bill that I have introduced should be adopted, most of these special problems can be solved. The flexible import fee bill, S. 981, is now in the hands of this committee. If hearings were held on this bill it can be perfected and adopted, but there is nothing to keep Congress from passing a special act similar to the action on sugar, if they so desire.

The flexible import fee bill, S. 981, would again restore that authority to Congress. One of my points is that the Congress of the United States in 1934 transferred its constitutional responsibility—not authority, but responsibility—to regulate the foreign commerce of this country to the Executive. It transferred this responsibility to the Executive branch, which put it right into the hands of the State Department, which has misused the Trade Agreements Act to destroy the jobs of our workingmen, and the capital of our investors.

I will read the section and ask unanimous permission to have the provisions of the bill on page 11, of the Foreign Trade reprint, down to and including the first paragraph on page 12, included in the record at this point, because practically every question discussed here is answered there.

Section 336 (g) reads as follows:

No order shall be announced by the Authority under this section which increases existing import duties on foreign articles if the Authority finds as a fact that the

domestic industry operates, or the domestic article is produced, in a wasteful, inefficient, or extravagant manner.

Thus tariffs are not to be used to protect inefficient or wasteful high-cost American producers.

Do I have permission to insert these in the record, Mr. Chairman?

Senator KERR. Yes.

(The document is as follows:)

[S. 981]

SEC. 336. PERIODIC ADJUSTMENT OF IMPORT DUTIES

(a) The Authority is authorized and directed, from time to time, and subject to the limitations hereinafter provided, to prescribe and establish import duties which will, within equitable limits, provide for fair and reasonable competition between domestic articles and like or similar foreign articles in the principal market or markets of the United States. A foreign article shall be considered as providing fair and reasonable competition to United States producers of a like or similar article if the Authority finds as a fact that the landed duty paid price of the foreign article in the principal market or markets in the United States is a fair price, including a reasonable profit to the importers, and is not substantially below the price, including a reasonable profit for the domestic producers, at which the like or similar domestic articles can be offered to consumers of the same class by the domestic industry in the principal market or markets in the United States.

(b) In determining whether the landed duty paid price of a foreign article, including a fair profit for the importers, is, and may continue to be, a fair price under subdivision (a) of this section, the Authority shall take into consideration, insofar as it finds it practicable—

(1) The lowest, highest, average, and median landed duty paid price of the article from foreign countries offering substantial competition:

(2) Any change that may occur or may reasonably be expected in the exchange rates of foreign countries either by reason of devaluation or because of a serious unbalance of international payments;

(3) The policy of foreign countries designed substantially to increase exports to the United States by selling at unreasonably low and uneconomic prices to secure additional dollar credits;

(4) Increases or decreases of domestic production and of imports on the basis of both unit volume of articles produced and articles imported, and the respective percentages of each;

(5) The actual and potential future ratio of volume and value of imports to volume and value of production, respectively;

(6) The probable extent and duration of changes in production costs and practices;

(7) The degree to which normal cost relationships may be affected by grants, subsidies, excises, export taxes, or other taxes, or otherwise, in the country, of origin; and any other factors either in the United States or in other countries which appear likely to affect production costs and competitive relationships.

(c) Decreases or increases in import duties designed to provide for fair and reasonable competition between foreign and domestic articles may be made by the Authority either upon its own motion or upon application of any person or group showing adequate and proper interest in the import duties in question: *Provided, however*, That no change in any import duty shall be ordered by the Authority until after it shall have first conducted a full investigation and presented tentative proposals followed by a public hearing at which interested parties have an opportunity to be heard.

(d) The Authority, in setting import duties so as to establish fair and reasonable competition as herein provided, may, in order to effectuate the purposes of this Act, prescribe specific duties or ad valorem rates of duty upon the foreign value or export value as defined in sections 402 (c) and 402 (d) of the Tariff Act of 1930 or upon the United States value as defined in section 402 (e) of said Act.

(e) In order to carry out the purposes of this Act, the Authority is authorized to transfer any article from the dutiable list to the free list, or from the free list to the dutiable list.

(f) Any increase or decrease in import duties ordered by the Authority shall become effective 90 days after such order is announced: *Provided*, That any such order is first submitted to Congress by the Authority and is not disap-

proved, in whole or in part, by concurrent resolution of Congress within 60 days thereafter.

(g) No order shall be announced by the Authority under this section which increases existing import duties on foreign articles if the Authority finds as a fact that the domestic industry operates, or the domestic article is produced, in a wasteful, inefficient, or extravagant manner.

(h) The Authority, in the manner provided for in subdivisions (c) and (f) in this section, may impose quantitative limits on the importation of any foreign article, in such amounts, and for such periods, as it finds necessary in order to effectuate the purposes of this Act: *Provided, however,* That no such quantitative limit shall be imposed contrary to the provisions of any foreign trade agreement in effect pursuant to section 350 of the Tariff Act of 1930.

(i) For the purpose of this section—

(1) the term "domestic article" means an article wholly or in part the growth or product of the United States; and the term "foreign article" means an article wholly or in part the growth or product of a foreign country;

(2) the term "United States" includes the several States and Territories and the District of Columbia;

(3) the term "foreign country" means any empire, country, dominion, colony, or protectorate, or any subdivision or subdivisions thereof (other than the United States and its possessions);

(4) the term "landed duty paid price" means the price of any foreign article after payment of the applicable customs or import duties and other necessary charges, as represented by the acquisition cost to an importing consumer, dealer, retailer, or manufacturer, or the offering price to a consumer, dealer, retailer, or manufacturer, if imported by an agent.

(j) The Authority is authorized to make all needful rules and regulations for carrying out its functions under the provisions of this section.

(k) The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary for the entry and declaration of foreign articles with respect to which a change in basis of value has been made under the provisions of subdivision (d) of this section, and for the form of invoice required at time of entry.

HIGHER FOREIGN LIVING STANDARDS ENCOURAGED BY TARIFF

Senator TAFT. You inserted somewhere that foreign standards of living would be improved under your flexible fee system. How would that operate?

Senator MALONE. When we fix rigid tariffs, as we do under the Trade Agreements Act, or as we did in the 1930 Tariff Act except for the relatively little used flexible provision, all foreign nations have to do then, as England did, is to lower the value of their currency in relation to the dollar in order to reduce the effect of our tariff rates. This increases the cost of their imports, and keeps their standards of living down. In addition, of course, the foreign countries keep their wage rates low. Thus the rigidity of our tariffs encourages devaluation, and the maintenance of low wages.

Now, suppose you had a flexible method, as proposed in my bill, S. 981, and immediately any devaluation could be taken into consideration by the Foreign Trade Authority or Tariff Commission in setting new tariff rates. All those factors are considered. It would be to no advantage to foreign nations to keep their costs down if they face a higher tariff in this country. The incentive to keep their standards of living down to capture the American market would be gone.

Even the representatives of these foreign countries would say after a trial "We might as well pay higher wages to our labor and pay social security and industrial insurance," as we do in this country, rather than have us pay the difference into the United States Treasury.

Senator KERR. "We could just as well also raise this price and keep the extra profit ourselves." They could say that. And if they know that if they do not charge $3 a pound for something they are going to have to pay the difference between that and whatever they do charge in taxes to this Government, would they not just raise the price to $3 a pound?

What would keep them from keeping it in their own pockets?

Senator MALONE. Mr. Chairman, foreign producers might try that, but my observation of labor is that they do not do it very long, there would be agitation to raise the living standard.

As a matter of fact the Senator has hit on a great weakness of the assumption that when we lower our tariffs or import fees that our consumers are going to get the benefit of the reduction in the purchase price of the imported goods. It does not operate that way since the competitive countries simply raise their price to take all that the "traffic will bear"—the American purchaser does not benefit. The flexible principle on the basis of fair and reasonable competition simply encourages them to raise their own standard for the very simple reason that nothing can be gained by subterfuge or by holding it down.

Senator MILLIKIN. Is not the simple answer that the premise on which we are operating is a comparison of costs?

Senator MALONE. That is right, although, under the provsion of the flexible import fee bill foreign cost data are not required.

Senator MILLIKIN. When they do that they make an arbitrary addition in there to cover the tariff and it becomes obvious and it is eliminated for the purpose of calculating that.

Senator KERR. I thought that his calculation and examination of cost was with reference to cost of production in American, and then fixing the tariff on any imported competitive article that equaled the difference in what their price of shipping it in was, and the cost of the American producer.

Senator MILLIKIN. I thought he was trying to equalize the cost abroad and the cost here. If that be the principle then a phony device of just adding enough to get up to the tariff level——

Senator MALONE. They did that on Scotch whisky after devaluing their currency. They took what the traffic would bear.

Senator MILLIKIN. Would violate the basic method, by which you are going to find disparity.

Senator MALONE. That is right. The only places where the colonial nations can continue to hold down labor's wages and the standard of living, is in their colonial possessions. England, Belgium, France, and the Netherlands are trying to hold onto their slave labor in Asia, Africa, where the United States is making plenty of enemies by aiding the maintenance of colonies.

The point is that the colonies are slave labor and they cannot get out of it. But there is increasing unrest in those areas. However, holding down wages in the colonial nations themselves will not last long. If they cannot get an advantage by holding labor down, I do not think it would last very long.

Senator TAFT. You mean there would be less labor pressure to increase demand for wages?

Senator MALONE. It would be increased.

Senator KERR. The examination of cost as I understand your bill, was with reference to the cost of the American producer in order that he might be permitted to survive.

Senator TAFT. You have to get cost of both, as I see it. That is what worries me.

Senator MALONE. I think, Senator, please consider this for a moment: As soon as you started taking the offered-for-sale price of imported goods—which you would do under this bill—or the duty-paid price, holding down the cost of production abroad is of no advantage.

In foreign countries there are right now probably a hundred or more cases of subsidy to labor and we are mostly paying it through our Marshall plan or ECA, and they do hold their paper costs down deliberately and with our help, but even that would not work under the flexible import fee method.

Senator KERR. Does your bill provide a mechanism for the agency of this Government to go into a competitive product wherever it may be in the world and determine the cost to that producer of his product?

Senator MALONE. It is not necessary.

Senator KERR. It does not even mention that.

Senator MALONE. It is not necessary.

Senator KERR. Your bill provides a mechanism for the ascertaining of the cost of the producer in this country.

Senator MALONE. And the offered-for-sale price and landed-duty-paid price of imported products.

Senator KERR. And the offered-for-sale price of the competitive foreign product.

Senator MALONE. You can investigate but need not depend upon the investigation of the costs in foreign countries provided they do not cooperate by disclosing the subsidies and other factors in holding down the cost of production. Foreign countries obscure their costs of production through subsidies and other factors. Therefore you take as the basis for the determination of an import fee rate the obvious available information, which is the duty-paid price, or offered-for-sale price.

I think we have covered most of the field in the cross-examination and debate. If we lower the tariff and import fees below the differential of cost of production as determined by the authority, you simply lower our living standard approximately by that amount.

Senator KERR. Are you talking about the American cost of production?

Senator MALONE. Yes. The differential of cost of production between the United States and the foreign competitive nations will wreck the economy of the United States. This cost differential accounts for the differential in the standard of living in this country and the sweat shop conditions of Europe and Asia—everyone knows what it is; as a matter of fact the junior Senator from Nevada has been in all those nations, and in their factories. There is no protection of the working men at all in those countries.

Most foreign countries have no social security, accident insurance and unemployment benefits. The wages range from about 40 cents a day to about $2.50 or $3.

SUBSIDIES—GOVERNMENT BONDS

Under our present policy we vote subsidies out of the United States Treasury to preserve the industries that the State Department selects for survival in this country. That is what we are doing at this moment, by various means, through Government contracts, subsidies, or otherwise. The taxpayer always picks up the check for the deficit financing. Yet we authorize the Federal Reserve Bank to buy our Government bonds to hold them at par when everyone knows that they would probably drop at least 20 points if the Government stayed out of the market in support of its own bond prices.

WOULD JAIL PRIVATE OPERATOR FOR DOING WHAT GOVERNMENT DOES

We do it because if the value of Government bonds dropped 10 points the financial structure of this country might fall like a house of cards. Yet if a private business or an industrial organization went into the market to hold their stocks and bonds at a fictitious value, we would put them in jail.

We have no standard for our money values. We are printing money faster than ever before in our history. Inflation is unchecked. Our cure for inflation so far is to print more money.

Mr. Chairman, inflation itself has the effect of lowering the tariffs. In other words, 10 percent inflation and your tariffs are in effect 10 percent lower, just as your wages are 10 percent lower. That is one way the administration keeps the real wages down.

MARSHALL-PLAN COUNTRIES BUY GOLD WITH OUR MONEY

Any ECA or Marshall plan country can sell commodities we give them and buy our gold and take it out of the country. An American citizen caught with gold goes to jail. We have allowed almost $2,000,000,000 in gold to be drained out of our country during a very recent period. All of this adds up to a deliberate inflation of our currency that in itself would have meant the eventual ruin of American industry because tariffs like wages go down as the currency inflates.

This is not a discussion to prevent inflation; it is a discussion to show the effect of it, Mr. Chairman.

We have covered most of these points in a summary. I will ask permission to include in the record the points that are made here as a summary to the reprint on foreign trade entitled "The Flexible Import Fee Principle of Fair and Reasonable Competition—Senate 981—substitute for the 1934 Trade Agreements Act.

That would be on page 3 and ending on page 4.

(The document is as follows:)

FOREIGN TRADE—FAIR AND REASONABLE COMPETITION VERSUS FREE TRADE

(Remarks of Hon. George W. Malone of Nevada)

The two vital functions of government were pointedly separated and delegated by the Constitution of the United States:

A. To the Congress of the United States, the legislative branch: The regulation of the national economy through its jurisdiction over foreign commerce by adjusting tariffs and import fees, and other factors.

B. To the President, the executive branch: The fixing of the foreign policy.

First. Congress should immediately recover its constitutional responsibility to regulate foreign trade through the adjustment of tariffs and import fees—through the simple expedient of allowing the 1934 Trade Agreements Act (so-called reciprocal trade act) to expire on June 12, 1951.

Second. The flexible provision, Section 336 of the 1930 Tariff Act, is in full force and effect on all products not covered by any trade agreement.

In the event that Congress does not extend the 1934 Trade Agreements Act the flexible provision of the 1930 Tariff Act will again become operative. Under this provision the Tariff Commission may raise or lower tariffs or import fees 50 percent, after proper hearings, to equalize differences in cost of production in the United States and in the principal competing countries.

Third. The very fact that an industrially inexperienced State Department may tamper with any tariff or import fee at any time endangers the floor under wages and investments—and prevents the flow of venture capital into the business stream of the Nation even in time of emergency, since investors know that when the emergency is over the investment is destroyed through foreign sweatshop labor competition.

They are wrecking the national economy of this Nation under the cover of war.

Fourth. The expiration of the 1934 Trade Agreements Act in no way affects the so-called trade agreements already made and in effect for any definite period, and they continue in effect following that definite period unless and until 6 months' notice of cancellation is formally given.

Fifth. The haphazard lowering of the floor under wages and investments represented by the tariffs and import fees destroys the American workingman and shifts his job to foreign soil. As a result many of our mines, mills, and factories have been closed, our fuel production curtailed, and farm production saved only by subsidies.

Sixth. "Reciprocal trade" is a misnomer. Trade agreements are not made under the act. They are agreements with a foreign nation to lower tariffs and import fees. Such foreign nation then resorts to import quotas, embargoes, specifications, and manipulation of their currencies to void the benefits given the United States. "Reciprocal trade" was a catch phrase to sell free trade to the American people and wreck the national economy.

Seventh. The use of the most-favored-nation clause under which concessions made to any single nation are immediately extended to all others in diametrically opposed to the principle of reciprocity, if any in fact existed.

Under the 1934 Trade Agreements Act the State Department may select the industries that are to survive—and those to be sacrificed on the altar of "one economic world."

Eighth. Only recurring "emergencies" have averted a complete collapse of our national economy under the 1934 Trade Agreements Act as administered by the State Department. In peacetime the products of low-wage-living-standard labor come in unchecked and displace American workers, thus destroying the American market.

Ninth. With the lapse of the 1934 Trade Agreements Act the flexible provision of the 1930 Tariff Act takes over. Congress can then improve its operation and the trade agreements already in effect through the offered amendment, Senate bill 981, under which a market is immediately established for all foreign goods on the basis of fair and reasonable competition.

Any improvement in their wage-living standards would be recognized by a corresponding reduction in the tariff or import fee and when their standards approximate our own then the common objective of free trade would be the almost immediate and automatic result.

Tenth. Under the flexible import fee principle as laid down in the 1930 Tariff Act and in the offered amendment, Senate bill 981, there is no consideration of a high or a low tariff or import fee.

The principle of "fair and reasonable" competition is the sole criterion representing the differential of cost of production due to the difference in the wage-living standards, inflation, manipulation of currencies, and other pertinent factors. The bill immediately establishes an American market for foreign goods on a definite basis, reestablishing the principle of a floor under wages and investments.

Senator MALONE. Mr. Chairman, time is getting short. If I may have an opportunity to insert material in the record, to complete the record, I will not review the entire subject because much has been covered in the discussion.

Senator KERR. You may put in the record such discussion as you wish.

Senator MALONE. And rearrange it?

Senator KERR. Yes.

Senator MALONE. I want to read a quote from Karl Marx in connection with my discussion of the Free Trade philosophy:

> Karl Marx, the outstanding Communist revolutionist of all times, made a very significant address, more than 102 years ago on the subject of free trade before the Democratic Club, Brussels, Belgium, January 9, 1848.
>
> He said: "In his celebrated work upon political economy, he—

Marx is referring to Ricardo, the leading economist of his time—

> says: "If instead of growing our own corn * * * we discover a new market from which we can supply ourselves * * * at a cheaper price, wages will fall and profits rise. The fall in the price of agricultural produce reduces the wages, not only of the laborer employed in cultivating the soil, but also of all those employed in commerce or manufacture.
>
> "* * * Besides this, the protective system helps to develop free competition within a nation. Hence we see that in countries where the bourgeoisie is beginning to make itself felt as a class, in Germany for example, it makes great efforts to obtain protective duties. They serve the bourgeoisie as weapons against feudalism and absolute monarchy, as a means for the concentration of its own powers for the realization of free trade within the country.
>
> "But, generally speaking, the protective system is these days is conservative, while the free trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point. In a word, the free trade system hastens the social revolution. In this revolution sense alone, gentlemen, I am in favor of free trade."
>
> The principle has not changed in the 102 years since the outstanding Communist of all time said in effect that free trade destroys the workingman, and now since the investment in industry has risen from a few dollars per employed man to an average of approximately $10,000, the investor is an equal victim.

The State Department is following—I like to believe inadvertently—the Marx Communist line.

1934 TRADE AGREEMENTS SHOULD BE TERMINATED FORTHWITH

I yet want to mention the matter of not only allowing the 1934 Trade Agreements Act to elapse on June 12, but I would advocate sincerely that this committee consider abolishing it forthwith so that the results of the Torquay conference, completing the job of creating free trade and utterly destroying the small businessmen and workers of this country could not be adopted.

There is a difference in legal opinion regarding the use of the escape clause after the expiration of the Trade Agreements Act. The present escape clause is of no utter use whatever now because of the many complications surrounding its use.

THE ESCAPE CLAUSE

There are so many ways that we have to pay for getting any relief for our own industry by allowing the other signatory nations to retaliate, that the use of the present escape clause is utterly impossible.

Under the terms of the bill which I introduced, there is a clause that would broaden the escape clause. The number of the bill is S. 1040.

In order for the escape clause to be broadened and made effective it may be necessary for the Congress to pass a special act. So on March 5, I introduced S. 1040. The bill was referred to the Foreign Relations Committee.

Senator KERR. It has been rereferred to this committee.

Senator MALONE. I am glad to hear it is in this committee. You have your eye on the national economy. This bill now before your committee provides for the broadening of the escape clause. So if you merely pass this bill alone, it would be a substitute for the broadened escape clause in the present extension bill, H. R. 1612. I want to point out again that the only way you can use the escape clause in the trade agreements already made is by mutual consent of the nations affected by it. In addition the other signatory can cancel an equivalent concession in return.

S. 1040 provides for the inclusion of the broadened escape clause in all existing trade agreements. If a foreign signatory is unwilling to agree to such inclusion, the President is directed to terminate such agreement at the earliest date possible. The escape clause, of course, works to the advantage of either party, and we can anticipate no trouble in the incorportion of that clause in the present agreements.

I would like to point out again in closing that the Flexible Import Fee bill that I have introduced, is before this committee.

I would like to have this short bill, S. 1040, introduced in the record at this point.

Senator KERR. Very well.

(The above-mentioned document is as follows:)

[S. 1040, 82d Cong., 1st sess.]

A BILL To provide for the inclusion in all existing foreign trade agreements of an effective "escape clause"

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the President shall immediately institute such proceedings as are necessary to incorporate in all existing foreign trade agreements entered into under section 350 of the Tariff Act of 1930, as amended and extended, an "escape clause" reading as follows:

"If any product with respect to which a contracting party has obligated itself or made a concession, under this agreement, is being imported into the territory of that contracting party in such quantities or under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, that 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, withdraw, or modify such obligation or concession, or to establish import quotas."

(b) (1) Upon the request of the President, upon its own motion, or upon application of any interested party, the United States Tariff Commission shall make an investigation to determine whether any article upon which a concession has been granted under a trade agreement to which a clause similar to that provided in subsection (a) of this section is applicable, is being imported in such quantities or under such conditions as to cause or threaten serious injury to a domestic industry or a segment of such industry which produces a like or directly competitive article.

(2) In the course of any such investigation the Tariff Commission shall hold hearings, giving reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings.

(3) Should the Tariff Commission find, as the result of its investigation and hearings, that serious injury is being caused or threatened through the importation of the article in question, it shall recommend to the President the withdrawal or modification of the concession, its suspension in whole or in part, or the establishment of import quotas, to the extent and for such time as may be necessary to prevent or remedy such injury.

(c) When in the judgment of the Tariff Commission no sufficient reason exists for such a recommendation to the President it shall, after due investigation and hearings, make public a finding in support of its denial of the application, setting forth the facts which have led to such conclusion.

(d) In arriving at a determination in the foregoing procedures under subsections (b) and (c) of section 7 the Tariff Commission shall without excluding other factors deem a downward trend of production, employment or wages in the domestic industry concerned, or a decline in sales and a higher or growing inventory attributable in part to import competition, to be evidence of serious injury or a threat thereof.

SEC. 2. In the case of any foreign trade agreement with respect to which any country which is a party thereto refuses to agree to the inclusion therein of such escape clause, the President is authorized and directed to terminate such agreement as of the next earliest date therein provided, and in accordance with the terms thereof.

Senator MALONE. The flexible import fee bill, S. 981, I introduced has been thoroughly explained.

I urge its adoption simply because it broadens the principle laid down in the 1930 Tariff Act in section 336, the flexible import fee principle. S. 981 does not confine changes to 50 percent either way and does not prevent the changing of an article from the free list to the dutiable list and vise versa.

I say to you in closing that the Congress could approach the problem on a principle just as you did in fixing freight rates under the ICC. The Congress simply laid down a policy for the Interstate Commerce Commission.

The approach to the tariff or import fee problem would be on a definite principle—the principle of fair and reasonable competition.

INDUSTRIES—LOSS OF MARKETS AND PRIVATE CAPITAL—BRIEFS SUBMITTED TO STATE DEPARTMENT RECIPROCITY COMMITTEE

Mr. Chairman, the following list of industries and manufacturers are just a few of the individuals, corporations, and organizations vitally affected through loss of markets and the availability of private venture capital to their enterprises.

These are the employers of labor—and the workers so employed are also vitally interested in the success of the business, since it means their jobs and livelihood.

Many resolutions by the workers and the officers of organizations have been furnished the State Department together with the necessary facts—but no relief—the all-wise "one economic world" converts are sitting in judgment—not to determine ways and means of how best to preserve the economic structure of the Nation upon which the working men and investors depend for their very existence, but how to destroy it.

The groups affected include the following industries divided into 12 groups:

1. Agricultural, fishing, and food industries.
2. Chemical industries.
3. Leather, luggage, and handbag industries.
4. Glassware and china industries.
5. Textile industries.
6. Scientific instruments.
7. Cocoa matting, fibers, cordage, and twine.
8. Mining and mineral industries.
9. Jewelry, silver, and diamonds.
10. Paper industries.
11. Metal manufacturers.
12. Miscellaneous industries.

Industry Groups—Industries Submitting Briefs and Testimony Before the Committee for Reciprocity Information

1. AGRICULTURAL, FISHING, AND FOOD INDUSTRIES

Seafood Producers Association, Inc.
Gloucester Fisheries Association.
Botany Mills: Wool grease and lanolin.
The Cigar Makers' International Union.
Cigar Manufacturers' Association of America, Inc.
National Renderers Association: Vegetable, animal, and marine fats and oils.
Northwest Nut Growers: Filberts.
California Fruit Growers Exchange; Exchange Orange Products Co.; Exchange Lemon Products Co.
The Association of Cocoa and Chocolate Manufacturers of the United States.
Mushroom Growers Cooperative Association: Cultivated Mushroom Institute of America, Inc.
The National Confectioners' Association.
National Cheese Institute, Inc.
Crane, Martin & Snyder: For the Horse Meat Packing Industry.
National Canners Association: California Fish Canners Association, Inc., Monterey Fish Processors Association, Association of Pacific Fisheries, Maine Sardine Packers Association, Inc., R. J. Peacock Canning Co., Holmes Packing Corp.
Department of Sea Shore Fisheries, Augusta, Maine.
Massachusetts Fisheries Association, Inc.
The National Potato and Onion Committee.
Department of Agriculture, State of Maine: Potatoes.
Florida Canners' Association: Canned citrus juices.
Northwest Horticultural Council: Fresh apples.
Corn Industries Research Foundation: Corn products.
California Fig Institute.
Halibut Liver Oil Producers.
Tung Growers Council of America.
American Tung Oil Association, A. A. L.
National Milk Producers Federation.
The Shade Tobacco Growers Agricultural Association, Inc.
MacAndrews & Forbes Co.: Licorice.
National Apple Institute.
Maryland Commercial Watermen Association, Inc.: Seafood.
National Wool Marketing Corp.
American Angora Rabbit Breeders Cooperative.

2. CHEMICAL INDUSTRIES

Synthetic Organic Chemical Manufacturers Association.
Food Machinery & Chemical Corp., Westvaco Chemical Division: Magnesite, dead burned and grain; barium hydroxide, barium oxide, and blanc fixe.
The Standard Lime & Stone Co.: Magnesite.
Basic Refractories, Inc.: Magnesite.
Northwest Magnesite Co. and Harbison-Walker Refractories Co.: Magnesite.
Young Aniline Works, Inc.: Dyestuffs, chemicals.
Carus Chemical Co., Inc.: Potassium permanganate.
Baugh & Sons Co.: Bone char and animal glue.
National Association of Glue Manufacturers, Inc.
The Dow Chemical Co.
Merck & Co., Inc.: Medicinal chemicals.
American Aniline Products, Inc.: Dyestuffs.
Victor Chemical Works.
Dry Color Manufacturers' Association: Chemical pigments.
Plastic Materials Manufacturers Association, Inc.
Hooker Electrochemical Co.
Consolidated Chemical Industries, Inc.
Mutual Chemical Co. of America.
Stauffer Chemical Co.

3. LEATHER, LUGGAGE, AND HANDBAG INDUSTRIES

Pocketbook Workers Union, New York.
National Authority for the Ladies' Handbag Industry.
Luggage & Leather Goods Manufacturers of America, Inc.
K. Kaufman & Co., Inc.: Leather goods.
International Handbag, Luggage, Belt, and Novelty Workers Union.
Tanners' Council of America.
National Association of Leather Glove Manufacturers, Inc.
National Leather Fibre Conference, Inc.
International Fur and Leather Workers Union.

4. GLASSWARE AND CHINA INDUSTRIES

California Art Potters Association.
Vitrified China Association, Inc.
The Homer Laughlin China Co.: China.
National Tile and Manufacturing Co.
Coors Porcelain Co.
American Glassware Association.

5. TEXTILE INDUSTRY

Crompton Co. and Crompton-Shenandoah Co.: Velveteen industry, corduroy industry.
Forstmann Woolen Co.
The Hat Institute, Inc.
The Domestic Bagging Producers Association, Inc.: Open-weave jute bagging for cotton bales.
Carpet Institute, Inc.
Stevens Linen Associates, Inc.
The National Federation of Textiles, Inc.
Cashmere Corp. of America.
Wamsutta Mills: Combed cotton goods.
Carded Yarn Association, Inc.
J. P. Stevens & Co., Inc: Woolen, worsted, rayon, and cotton fabrics.
York Street, Flax Spinning Co., Inc.: Linen handkerchiefs.
Berkshire Fine Spinning Associates, Inc.: Fine combed cotton fabrics.
Amalgamated Lace Operatives of America.
Embroidery Manufacturers Bureau, Inc.
National Knitted Outerwear Association.
Simtex Mills, Rosemary Manufacturing Co.: Table damasks.
William Whitman Co., Inc.: Worsted textiles.
Nashawena Mills: Fine cotton goods.
The American Cotton Manufacturers Institute, Inc.
The National Association of Cotton Manufacturers.
The Association of Cotton Textile Merchants of New York.
The Textile Export Association of the United States: The Southern Comber Yarn Spinners Association, the Carded Yarn Association, the Thread Institute, Inc., the Philadelphia Textile Manufacturers Association, the Narrow Fabrics Association.
Textile Workers Union of America, CIO.
National Association of Wool Manufacturers.

6. SCIENTIFIC INSTRUMENTS

Scientific Apparatus Makers Association.
The Optical and Ophthalmic Glass, Lens, and Instrument Industry Committee.

7. COCOA MATTING, FIBERS, CORDAGE, AND TWINE

Meakins McKinnon, Inc.: Cocoa mats, matting fibers, etc.
National Mat and Matting Co., Inc.
United States Cocoa Mat Corp.
Cordage Institute: Cordage and twine.
Soft Fiber Manufacturers' Institute: Jute, flax, and hemp.

8. MINING AND MINERAL INDUSTRIES

Kaiser Aluminum & Chemical Corp.: Aluminum.
American Zinc Institute.
Combined Metals Reduction Co. and Emergency Lead Committee: Lead and zinc.
San Francisco Chamber of Commerce: General mining.
E. J. Lavino & Co.: Ferromanganese, manganese, and chrome ores.
Reynolds Metals Co.: Aluminum.
George Benda, Inc.: Bronze powders.
American Iron and Steel Institute.

9. JEWELRY, SILVER, AND DIAMONDS

New England Manufacturing Jewelers and Silversmiths Association.
Diamond Workers' Protective Union of America.
Diamond Manufacturers & Importers Association of America, Inc.

10. PAPER INDUSTRY

American Paper and Pulp Association: Groundwood Paper Manufacturers Association; Book Paper Manufacturers Association; Writing Paper Manufacturers Association.
American Box Board Co.
Association of Pulp Consumers.
The Wall Paper Institute.
United Wall Paper Craftsmen & Workers of North America.
Fourdrinier Kraft Board Institute, Inc.: Paperboard.

11. METAL MANUFACTURES

Union Hardware Co.
Water Meters Industry.
National Association of Textile Machinery Manufacturers.
Harley-Davidson Motor Co.
Bicycle Workers Union.
Industrial Wire Cloth Institute.
Sporting Arms and Ammunition Manufacturers' Institute.
Whizzer Motor Co.: Motor bicycles.
E. C. Atkins & Co.: Circular saws and machine knives and blades.
Camillus Cutlery Co.
Associated Cutlery Industries of America.
General Phonograph Manufacturing Co., Inc.: Textile pins, comber needles.
Pittsburgh Crushed Steel Co.: Grit, shot, and sand of iron or steel.
Rodney Hunt Machine Co.: Textile wet finishing machinery.
The Sprague Meter Co.: Gas meters and regulators.
James Smith & Son, Inc.: Noble combs and improved ball winders.
Association of Manufacturers of Woodworking Machinery.
American Steel Wool Manufacturing Co., Inc.
The Anti-Friction Bearing Manufacturers Association, Inc.
Columbia Fastener Co.
National Electrical Manufacturers Association: Hydraulic turbine section.
American Machine & Foundary Co.
National Machine Tool Builders' Association.
Scott & Williams, Inc.: Knitting machinery.
Babcock & Wilcox Tube Co.: Welded tubes.

12. MISCELLANEOUS INDUSTRIES

C. K. Williams & Co.: Colors and pigments.
The Crayon, Water Color, and Craft Institute.
Bottle Fermented Champagne Producers, Inc.
Gold Leaf and Metal Foil Products Industry.
The Society of the Plastics Industry.
American Record Manufacturers Association.
Fountain Pen and Mechanical Pencil Manufacturers Association, Inc.
Lead Pencil Manufacturers Association, Inc.
Collapsible Tube Manufacturing Industry.
Fatty Acid Industry.

Columbus Coated Fabric Corp.: Oil cloth, coated fabrics.
Finkley Umbrella Frame Co.
Candle Manufacturers Association.
William M. Ives Co., Inc.: Brush handles.
American Brush Manufacturers Association.
H. C. Spinks Clay Co.: Ball clay.
Palm, Fechteler & Co.: Decalcomania in ceramic colors.
Alsop Engineering Corp.: Filters.
A. Gusmer, Inc.: Filtermass.
National Distillers Products Corp.: Spirits.
W. H. Coe Manufacturing Co., Inc.: Gold leaf and embossing foils.

INDUSTRIES, BY STATE, INJURED THROUGH TARIFF REDUCTIONS—1934 TRADE AGREEMENTS ACT

Mr. Chairman, the following list of industries, by State, are just a few of the sources of employment and production that are endangered through the State Department's free trade "one economic world" program.

The very fact that an industrially inexperienced State Department has been given the responsibility by the Congress of the United States to select the American industries and jobs that are to survive and those that are to be destroyed through foreign sweatshop labor competition is driving private-venture capital investments out of their business and is slowly and surely destroying the economic structure of this Nation.

The policy is driving private capital out and increasing the demand for taxpayers' money for risk capital—businessmen and industrialists are suddenly realizing that unless the Government is your partner—unless Government money is invested in your business—that the chances of survival are greatly diminished.

Few businessmen and industrialists and workers, however, realize that there was a deliberate plot to bring about this very condition as a prelude to a socialist government along the lines of the English pattern which has practiced government partnership in business for a generation—this practice has finally emerged for what it was first meant to be—a socialist government ownership state.

ALABAMA

Luggage and leather goods, corduroy, candy, tung oil, paperboard, carded cotton yarns, textiles, bauxite, cordage and twine, industrial chemicals, steel, dairy products.

ARIZONA

Manganese, copper, lead, lemons, dairy products, beef, zinc.

ARKANSAS

Manganese, corduroy, velveteen, candy, paperboard, bauxite, petroleum, dairy products.

CALIFORNIA

Almonds, lemon and lemon oil, olive oil, oranges and products, hops, tuna fishing, walnuts, beef and veal (fresh, chilled, or frozen), luggage and leather goods, ladies handbags, aluminum (crude, pig, ingot, and alloys), crayons, water colors, barium chemicals, art pottery, carded cotton yarns, printing machinery, glassware, cordage and twine, lead, leather gloves, candy, mushrooms, cocoa and chocolate, bone charcoal, mineral-earth pigments, canned fish, animal glue, chemicals, figs, soft fabrics, candles, handkerchiefs, dairy products, embroideries, paperboard, petroleum, steel, tin cans and tin ware, scientific instruments, toys, jewelry, tungsten, wool, beef, mercury.

COLORADO

Chemical porcelain, luggage and leather goods, lead, candy, mushrooms, angora rabbits, tungsten, dairy products, chemicals, petroleum, cutlery, toys, beef, wool, mica.

CONNECTICUT

Ice and roller skates, shoes, luggage and leather goods, ladies' handbags, chemicals, phonograph records, fur-felt hat bodies, rubber footwear, thermos bottles, watches and clocks, electric appliances, textiles, shotguns and rifles, wire cloth, candy, mushrooms, gold leaf and metal foil, wool grease and lanolin, leather fiber, carpets, animal glue, machine tools, phonograph needles and textile pins, gas meters, shade tobacco, soft fibers, filters, wall paper, dairy products, paperboard, cutlery, textile machinery, scientific instruments, jewelry.

DELAWARE

Chemicals, mushrooms, textiles, cutlery.

FLORIDA

Sponges, ladies' handbags, candy, chemicals, tung oil, canned citrus juices, shade tobacco, paperboard, textiles, tin cans, and tinware.

GEORGIA

Luggage and leather goods, ladies' handbags, corduroy, velveteen, candy, mineral earth pigments, tung oil, shade tobacco, soft fibers, textiles, carded cotton yarns, paperboard, bauxite, textile machinery, mica.

IDAHO

Lead and zinc, candy, dairy products, beef, wool, tungsten, mercury, zinc.

ILLINOIS

Photoengraving and lithographing equipment, optical instruments, scientific instruments, laboratory apparatus, luggage and leather goods, ladies' handbags, potassium permanganate, fatty acids, crayons, water colors, rubber footwear, cellulose products, watches, glassware, paperboard, cordage and twine, lead, leather gloves, candy, mushrooms, cocoa and chocolate, mineral earth pigments, leather fiber, animal glue, machine tools, snap fasteners, hydraulic turbines, chemicals, tanneries, corn starch, soft fibers, candles, wall paper, handkerchiefs, dairy products, textiles, embroideries, steel, cutlery, motorcycles, jewelry, toys, beef, wool.

INDIANA

Dairy products, luggage and personal leather goods, handmade glassware, candy, mushrooms, animal glue, saws and knives, cornstarch, wallpaper, textiles, paperboard, chemicals, pottery, steel, jewelry, toys, beef.

IOWA

Luggage and leather goods, leather gloves, candy, horse meat, animal glue, cornstarch, dairy products, textiles, pottery, cutlery, wool, beef.

KANSAS

Lead, candy, horse meat, animal glue, dairy products, beef.

KENTUCKY

Whiskies and spirits, aluminum and alloys, luggage and leather goods, glassware, lead, candy, ball clay, carded cotton yarn, dairy products, textiles, pottery, cutlery, beef, wool.

LOUISIANA

Cordage and twine, candy, tung oil, soft fibers, paperboard, dairy products, textiles, chemicals, petroleum.

MAINE

Spring clothespins, luggage and leather goods, ladies' handbags, paper and pulp, corduroy, canned fish (sardines), leather fiber, carpets, potatoes, fishery products, brush handles, textiles, cutlery, toys.

MARYLAND

Luggage and leather goods, ladies' handbags, dyes and chemicals, magnesite, rubber footwear, wood brush handles, blown glassware, candy, mushrooms, mineral earth pigments, knives, sea food, textiles, paperboard, tin cans and tinware, scientific instruments, toys, jewelry.

MASSACHUSETTS

Luggage and leather goods, ladies' handbags, coca fiber door mats, paper (cigarette, Bible, etc.), fur-felt hat bodies, rubber footwear, crayons, water colors, glassware, jewelry, textiles, textile machinery, optical glass, sea food, corduroy, velveteen, cordage and twine, candy, mushrooms, cocoa and chocolate, water meters, wool grease and lanolin, linen towels and toweling, leather fiber, carpets, animal glue, knitting machines, tanneries, shade tobacco, soft fibers, carded cotton yarn, wallpaper, dairy products, paperboard, chemicals, cutlery, scientific instruments, toys.

MICHIGAN

Luggage and leather goods, paper (cigarette, Bible, etc.), electrical appliances, paperboard, candy, mushrooms, bone charcoal, motor bicycles, copper, chemicals, cornstarch, wood brush handles, dairy products, textiles, pharmaceuticals, cutlery, toys, jewelry, beef, wool.

MINNESOTA

Luggage and leather goods, candy, paperboard, soft fibers, dairy products, textiles, cutlery, toys, beef, wool.

MISSISSIPPI

Veneer and plywood, candy, tung oil, paperboard, dairy products.

MISSOURI

Luggage and leather goods, lead pencils, ladies handbags, crayons, water colors, zinc and lead, cordage and twine, candy, mushrooms, cornstarch, soft fibers, wallpaper, dairy products, fur-felt hat bodies, textiles, chemicals, pharmaceuticals, pottery, tin cans and tinware, ophthalmic goods, toys, jewelry, beef, wool.

MONTANA

Copper, lead, manganese, diary products, chemicals, wool, beef, zinc.

NEBRASKA

Candy, animal glue, soft fibers, dairy products, pharmaceuticals, beef, cutlery.

NEVADA

Tungsten, lead, zinc, copper, magnesite, beef, wool, chemicals, manganese, mercury, silicon.

NEW HAMPSHIRE

Leather fiber, textiles, wood brush handles, paperboard, cutlery, toys.

NEW JERSEY

Wooden umbrella handles, silk woven goods, luggage and leather goods, lead pencils, magnesite, ladies' handbags, fur-felt hat bodies, rubber footwear, crayons water colors, chemicals, dyes, barium nitrate, pipes and foundry products, wool goods, nickel products, glassware, cordage and twine, wire cloth, candy, mushrooms, coco and chocolate, water meters, wool, grease and lanolin, mineral earth pigments, carpets, medicinal chemicals, licorice, soft fibers, bronze powders, ball

clay, decalcomania, handkerchiefs, candles, umbrella frames, textiles, wall paper, pulp and paperboard, pottery, tin cans and tinware, cutlery, scientific instruments, jewelry, toys, zinc.

NEW MEXICO

Lead, lead scrap, zinc, copper, dairy products, beef, wool, mica.

NEW YORK

Marrons, knitted berets, reeds from rattan, knitted gloves, hats (fur-felt), silk (stencil, dyed or colored), hatters' fur, plastics, cut diamonds, luggage and leather goods, lead pencils, ladies' handbags, fatty acids, paper (cigarette, Bible, etc.), optical and opthalmic glass, rubber footwear, crayons, water colors, leather tanning, coco mats, glassware, chinaware, woolen and worsted goods, lace, carpets linen, twine and rope, bicycles, surgical instruments, cystoscopes, toys, tools, slide fasteners, veneer and plywood, corduroy, velveteen, cordage and twine, lead, shotguns and rifles, wire cloth, leather gloves, candy, mushrooms, coco and chocolate, water meters, gold leaf and metal foil, wool grease and lanolin, mineral earth pigments, animal glue, saws and knives, aluminum, cutlery, tobacco machines, potassium nitrate, chromium chemicals, electrochemicals, cornstarch, soft fibers, umbrella frames, handkerchiefs, wall paper, dairy products, scientific instruments, chemicals, steel, pharmaceuticals, tin cans and tinware, motorcycles, watches and clocks, jewelry.

NORTH CAROLINA

Ladies' handbags, paper (cigarette, Bible, etc.), corduroy, candy, velveteen' carpets, copper, handkerchiefs, textiles, carded-cotton yarn, paperboard, tungsten' dairy products, cordage and twine, cutlery, textile machinery, mica.

NORTH DAKOTA

Mineral earth pigments, dairy products, textiles, beef, wool.

OHIO

Dental burrs, luggage and leather goods, ladies' handbags, cocoa mats, fatty acids, crayons and water colors, hand-made glassware, leather gloves, braids and twines, chinaware and pottery, magnesite, dolomite, cashmere products, wallpaper, corduroy, cordage and twine, candy, mushrooms, mineral earth pigments, leather fiber, welded tubing, machine tools, tanneries, cornstarch, candles, oil cloth, dairy products, textiles, paperboard, chemicals, pharmaceuticals, steel, tin cans and tinware, textile machinery, motorcycles and bicycles, jewelry, toys, wool, beef.

OKLAHOMA

Petroleum, lead, candy, dairy products, beef.

OREGON

Filberts, cherries, candy, mushrooms, saws and knives, apples, soft fibers, aluminum, dairy products, woolens and worsteds, cutlery, toys, wool, mercury.

PENNSYLVANIA

Dental burrs, whiskies and spirits, luggage and leather goods, lead pencils, ladies' handbags, bone charcoal, crayons, water colors, fur-felt hat bodies, paper (cigarette, Bible, etc.), optical and ophthalmic glass, fatty acids, mineral earth pigments, glassware, lace, woolen goods, slide fasteners, cordage and twine, bicycle tires, leather gloves, candy, mushrooms, soft fibers, carpets, animal glue, gold leaf and metal foil, dairy products, fur-felt hats and hat bodies, embroidery, pharmaceuticals, pottery and chinaware, steel, tin cans and tinware, cutlery, scientific instruments, jewelry, toys, water meters, cocoa and chocolate, machine tools, woodworking machinery, chemicals, handkerchiefs, textiles, wallpaper, candles, wood brush handles, umbrella frames, beef.

RHODE ISLAND

Luggage and leather goods, lead pencils, ladies' handbags, collapsible tubes, rubber footwear, jewelry, textiles, lace, corduroy, velveteen, candy, mushrooms,

gold leaf and metal foil, machine tools, dairy products, woolens and worsteds, narrow fabrics, carpets, chemicals, cutlery, textile machinery, toys.

SOUTH CAROLINA

Corduroy, candy, handkerchiefs, textiles, carded cotton yarn, paperboard, woolens and worsteds.

SOUTH DAKOTA

Candy, dairy products, manganese, beef, wool, mica.

TENNESSEE

Lead pencils, corduroy, lead, candy, copper, aluminum, chemicals, soft fibers, ball clay, textiles, carded cotton yarn, dairy products, pharmaceuticals, cutlery, toys.

TEXAS

Luggage and leather goods, ladies' handbags, lead, candy, bone charcoal, copper, soft fibers, candles, carded cotton yarn, paperboard, dairy products, textiles, chemicals, petroleum, pottery, cutlery, jewelry, toys, beef, wool.

UTAH

Copper, lead, zinc, tungsten, candy, dairy products, textiles, chemicals, steel, wool.

VERMONT

Spring clothespins, luggage and leather goods, ladies' handbags, leather gloves, candy, copper, wood brush handles, textiles, dairy products, woolens and worsteds, cutlery, toys.

VIRGINIA

Luggage and leather goods, ladies' handbags, corduroy, velveteen, lead, candy, mineral-earth pigments, leather fiber, ferromanganese, aluminum, textiles, carded cotton yarn, paperboard, manganese, dairy products, woolens and worsteds, chemicals, steel, cutlery.

WASHINGTON

Narcissus bulbs, beef and veal (fresh, chilled, or frozen), luggage and leather goods, magnesite, sea-food products, fruit, cordage and twine, lead, filberts, candy, mushrooms, cocoa and chocolate, halibut-liver oil, electrochemicals, apples, aluminum, dairy products, textiles, paperboard, cutlery, toys, wool.

WEST VIRGINIA

China and earthenware, hand-made glassware, candy, dairy products, woolens and worsteds, paperboard, chemicals, leather and leather products, steel, toys.

WISCONSIN

Luggage and leathergoods, ladies' handbags, rubber footwear, leather tanning, leather gloves, furs, motorcycles, cordage and twine, candy, cocoa and chocolate, water meters,, mineral-earth pigments, animal glue, machine tools, filtermass, wallpaper, dairy products, carpets, woolens and worsteds, paperboard, chemicals, cutlery, toys, beef.

WYOMING

Copper, lead, chemicals, petroleum, beef, wool.

LOSS OF JOBS AND INDUSTRY FAULT OF CONGRESS

When Jim Rand, of Remington-Rand, goes to Japan it is our fault, not Jim's fault. He wants to make some money for his stockholders. You cannot blame American industry for wanting to take advantage of the loopholes provided by the Congress.

GOVERNMENT VERSUS PRIVATE INVESTMENT FUNDS

The hotels in Washington are full of men who know their business. They are here to get Government money for what? To go home to invest Government funds in their business to produce war material or to produce material needed in peacetime.

Why do they want Government money? Because every last one of them knows that the Geneva Conference and the Annecy Conference that was held later, and the Torquay Conference now—have removed the floor under wages and investments. The minute the emergency is over and we start on a peacetime basis, the private investment is utterly destroyed.

Therefore, these businessmen are going to have the Government in business with them.

Businessmen are smart. If they were not they would not survive long. They will spend money for additional oil wells, for textile plants, or mines if they know that the difference in the wages and living standards here and abroad will be protected.

In addition to the $10,000,000,000 Mr. Byrd said we could save, with which I agree because I was the first one who brought it up in the Senate in September of last year, you can save twice that amount by having private money going into these businesses instead of having them come to the RFC and the General Services Administration and the Department of the Interior for their funds.

They are going to spend millions of dollars in opening mines that never should have been closed. We could have had stockpiles in this country beyond anything needed, if the State Department had not shut the mines in this country by putting labor in Nevada, Utah, Colorado, West Virginia, and Michigan, and all the other States, right up against the sweatshop labor of those foreign nations.

RESOLUTIONS—LABOR, FARM BUREAU

Labor organizations, farmers, through their Farm Bureau, and business groups have all passed resolutions asking that the flexible import fee principle of regulating foreign commerce and trade be substituted for the 1934 Trade Agreements Act—and that Congress regain its authority and responsibility over regulating the national economy. These organizations want to stop the wholesale exportation of jobs and investments to foreign soil:

Excerpt from resolutions adopted at the thirtieth annual meeting of the Nevada State Farm Bureau, Ely, Nev., December 2, 1949:

DOMESTIC AND FOREIGN POLICY—RESOLUTION NO. 17

Whereas the selective free-trade policy adopted by the State Department, based upon the Trade Agreements Act of 1934, is lowering the American living standards through the lowering of wages and is causing unemployment and a subsequent decline in the demand for agricultural products: Therefore be it

Resolved, That the Nevada State Farm Bureau adopts and recommends that the American Farm Bureau Federation support a domestic and foreign policy containing the following features:

I. Foreign policy: (a) Protection of private investments in foreign countries;

(b) Free convertibility of European currencies in terms of dollars;

(c) Consolidation of the European nations into a United States of Europe, and the erasing of all present trade barriers;

(d) Equal access to the trade of all nations of the world subject only to the action of the individual nations.

II. National policy: Set up a flexible import fee which would be based upon fair and reasonable competition administered by a reorganized, experienced Tariff Commission in the same manner as the long-established Interstate Commerce Commission adjusts freight rates for the carriers on a basis of the principle laid down by Congress of a reasonable return on the investment. Under a flexible import-fee principle, a market is immediately established for the goods of foreign nations on a basis of fair and reasonable competition with our own. Other nations in good conscience cannot ask for more. By so doing, America's domstic agricultural market would be greatly stabilized and cease to be a dumping ground for world surpluses. We are a land of agricultural abundance striving to maintain a standard of living unparalleled by any other nation in the world; be it further

Resolved, That the lowering of import fees and tariffs without regard to the differential of the cost of production due largely to the difference in living standards of this Nation and of foreign competitive nations has a demoralizing effect on our agricultural markets as well as those of other industries, thereby causing unemployment and loss of revenue to the American farmer.

UNION LOCAL 407, CIO, PIOCHE, NEV., OPPOSES FREE TRADE

PIOCHE, NEV., *January 17, 1950.*

Senator G. W. MALONE,
Senate Office Building, Washington, D. C.

DEAR SIR: By unanimous vote, Pioche Union Local No. 407, CIO, disapprovee part 4 plan of the President which includes the International Trade Organization agreement and urge that you do everything possible to substitute flexible import fee as outlined in your talk at Pioche, Nev., on December 15, 1949.

Yours truly,

THOMAS L. HUTCHINGS,
President, Local No. 407.

WHITE PINE COUNTY CENTRAL LABOR COUNCIL OPPOSES FREE TRADE

EAST ELY, NEV., *January 19, 1950.*

Senator MALONE,
Senate Office Building, Washington, D. C.:

We call your attention to the following resolution adopted by the White Pine County Central Labor Council:

"Whereas the selective free trade policy is removing the floor from under American wages and investments, causing unemployment and loss of taxable property; and

"Whereas the haphazard lowering of the import fees and tariffs without regard to the differential of the cost of production, due largely to the difference in living standards of this country and foreign competitive nations, has severely injured the nonferrous-metal mining industry: Therefore be it

"*Resolved*, That a telegram be sent to each of our national Senators asking them to do what they can toward correcting this deplorable situation."

DOUG HAWKINS,
President, White Pine County Central Labor Council.

INTERNATIONAL ASSOCIATION OF MACHINISTS OPPOSES FREE TRADE

INTERNATIONAL ASSOCIATION OF MACHINISTS,
LOCAL LODGE NO. 705,
Sparks, Nev., September 16, 1949.

Re flexible import fee.

Hon. GEORGE W. MALONE,
United States Senate, Washington, D. C.

SIR: The legislative committee of local lodge No. 705, International Association of Machinists, Sparks, Nev., reported favorably on the matter of the flexible import fee. Whereupon the membership unanimously instructed the legislative committee to inform you that local lodge No. 705, International Association of Machinists, Sparks, Nev., has gone on record in favor of the flexible import fee.

The legislative committee wishes to commend the Senator for his hard work and initiative.

Yours truly,

LEGISLATIVE COMMITTEE,
SATIRIOS SOUKAROS, *Chairman*,
GEORGE H. SHELTON.
JOHN L. ROBERTSON.

PROPERTY OWNERS ASSOCIATION, INC., OPPOSES FREE TRADE

LAS VEGAS, NEV., *January 12, 1950.*

United States Senator GEORGE W. MALONE,
Washington, D. C.:

Urge you to support a flexible import and export tariff bill for protection of our domestic industries, and curtailment of foreign spending.

PROPERTY OWNERS ASSOCIATION, INC.,
OF CLARK COUNTY, NEV.,
HELEN E. CRANER, *Secretary.*

RESOLUTIONS PASSED UNANIMOUSLY BY THE AMERICAN FEDERATION OF LABOR, HOUSTON, TEX., SEPTEMBER 22, 1950

Unfair Foreign Competition

Resolution No. 11, by Delegates Harry H. Cook, Arthur J. O'Hara, Ivan T. Uncapher, Ernest A. Merighi, American Glass Workers' Union (p. 23, first day's proceedings).

Resolution No. 12, by Delegates James M. Duffy, Charles F. Jordan, Frank Duffy, Clarence Davis, National Brotherhood of Operative Potters (p. 24, first day's proceedings).

Whereas lower wages than those prevailing in the United States account for the principal competitive advantage enjoyed by foreign countries when they ship dutiable merchandise into our domestic market; and

Whereas these lower wage scales permit dutiable goods to be sold at lower prices in this country than our own producers can meet without reducing wages or curtailing employment; and

Whereas competitive imported goods that derive their sales advantage from lower wages are as destructive of our own labor standards as were sweatshop operators in this country before the adoption of a national minimum wage; and

Whereas our labor organizations have no means of organizing the workers overseas in an effort to raise their standards, and our minimum-wage laws do not extend beyond our own country; and

Whereas it is no more necessary that foreign exporters have a competitive advantage derived from low wages in order to sell in this market than it is for sweatshop operators to make a regular practice of grossly underselling fair employers in order to compete with them; and

Whereas a healthy import trade can be created upon a basis of fair competition and can, in fact, thus be expanded, just as the elimination of sweatshops in the domestic economy contributes to healthy economic expansion; and

Whereas limitations on imports need not be restrictive in order to create competitive parity but, on the contrary, by creating the basis of fair competition, would contribute to the growth of trade in the international field no less than fair competition does in the domestic; and

Whereas over 60 percent of the imports into this country are now and have long been free of duty, because they represent goods in the production of which other countries enjoy a natural advantage of climate, soil, or resources and which are complementary to rather than competitive with, the output of our own factories; and

Whereas the remaining 40 percent of competitive imports, if unimpeded in any way, would leave our workers at the mercy of low-wage rivalry, a process that would have only one ultimate effect, namely, the impoverishment of our labor force; and

Whereas many members of unions affiliated with the American Federation of Labor know from direct and bitter experience the disastrous consequences of low-wage foreign competition which has not been properly offset by a rate of duty or other protective measure to insure its fairness: Therefore be it

Resolved, That the American Federation of Labor, while fully recognizing the many economic benefits of a healthy foreign trade, declare its disapproval of such competitive imports as derive their competitive advantage from low wages prevailing abroad, unless this unfair advantage is appropriately offset or guarded against to assure competitive parity; that the undermining of labor standards through wage competition on an international scale cannot be accepted as a legitimate form of economic improvement; that it is not necessary, as a condition of selling successfully in the United States, to offer goods at prices that substantially undercut the market, that the most healthy and voluminous trade can be built around fair competitive methods rather than seeking to base it upon price advantages that threaten loss of employment and reduction in wages; and, finally, that the American Federation of Labor express its concern over further tariff reductions that will expose our workers to unfair competition from foreign wages and thus undermine the wage standards built up in this country over the years.

Referred to committee on resolutions.

Report of Committee on Resolutions

Your committee is in accord with and approves the principles involved and the objectives sought in these several resolutions. We fully recognize the many economic benefits of a healthy foreign trade. World economic stability cannot be regained without a large volume of sound international trade.

However, we must not forget that competitive imports that derive their market advantage from low wages prevailing in other countries are a constant threat to our labor standards, unless this unfair advantage is offset or guarded against to assure competitive parity.

We cannot accept international wage competition as a method of economic improvement since such competition, wherever it occurs inevitably undermines the higher of the competing standards. International trade, like domestic trade, can be expanded most soundly on the basis of fair competition.

Our import duties should prevent low-wage rivalry from abroad as our State and National minimum-wage laws seek to avoid such rivalry at home, to the end that our labor standards may be maintained and further improved.

I thank the committee, Mr. Chairman, for the opportunity to come here. I feel very strongly on this question and wanted to discuss it with the committee before you went into executive session to decide the important issue raised by the proposal to extend the authority of the State Department to regulate foreign commerce for an additional 3 years.

Senator KERR. Thank you, Senator, very much.

We will recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:06, the committee recessed, to reconvene at 10 a. m., Friday, March 9, 1951.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

MONDAY, MARCH 12, 1951

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

The committee met, pursuant to recess and subsequent postponement, at 10 a. m., in Room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Byrd, Millikin, and Butler.

Also present: Mrs. Elizabeth B. Springer, chief clerk, and Serge Benson, minority professional staff member.

The CHAIRMAN. All right, Senator Lodge, we will proceed.

STATEMENT OF HON. HENRY CABOT LODGE, JR., UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator LODGE. Mr. Chairman and gentlemen, the purpose of my presence here today is to ask your committee to retain in the bill, H. R. 1612, now pending before the Committee on Finance, those 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 such objectives of this bill as are meritorious.

This can be accomplished by the provision 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" signal to guide the President in fulfilling his assurance to the American public that, in the conduct of trade-agreements program, domestic producers will not be injured. It is not a "red light" which halts the program; it is simply an "amber light" which enjoins caution. It is, in my judgment and also in that of many citizens with whom I have discussed this program, a proper, reasonable and effective safeguard.

The law should also contain language which will enable the President to make such modifications as are necessary to prevent harm to domestic industry by means of the so-called escape clause.

Mr. Chairman, I recognize and endorse the policy of encouraging international trade as a means of improving the living standards here in America, of rebuilding prostrated peoples abroad, of preventing the spread of communism and thereby of improving the chances of

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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.

In the past 2 years I have received communications from many parties and would like to mention a few. Organizations in Gloucester, Mass., have written to me, and have come to see me, as a matter of fact, regarding the situation respecting fisheries which they regard as desperate. I think this committee has heard testimony from the city officials and business leaders of Gloucester, because the situation has become much worse in the last year, and that city is entirely dependent on the fishing industry, or rather, largely dependent upon it.

Jeremiah F. O'Meara, city clerk of the city of Peabody, Mass., which is one of the great leather and tanning centers in Massachusetts, wrote to tell me of the great damage which has been done to the leather industry in the city of Peabody due to inadequacies in the rates.

I received a letter from Ruel H. Smith, of North Attleboro, Mass., which again is the great jewelry center, regarding the effect which present conditions are having on the jewelry industry.

I received 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 also heard from the Greater Lawrence Textile Council, American Federation of Labor, signed by George F. Driscoll, expressing opposition to the reciprocal trade policy insofar as it affects textiles in that great industrial city, and a communication from Gordon F. Gaffney, city clerk of the city of Lawrence, officially reporting the sentiments of the mayor and city government of their concern regarding harmful importations of certain foreign products.

I also cite a communication from the Merrimac Hat Corp. of Amesbury, Mass., regarding the threat to the welfare of this industry which is implicit in current policies.

I received a communication from the American Watch Assemblers' Association regarding the dangers to the watch industry coming from foreign competition.

As you all know, the Waltham Watch Co. has been in a desperate condition and at least one factor which contributes to this result has been that of Swiss importations.

In recent months I have heard from other parties so numerous that I will not undertake to burden your record or your time with all of them, but I want to mention a few to illustrate the range of subjects that is covered.

Philip Rogers, speaking for the Millers Falls Co., tool manufacturers in Greenfield, Mass., has written to inform me of his opposition to any reciprocal trade agreements legislation which neglects to safeguard the

legitimate interests of the tool-making industry against unfair foreign competition. The Fall River, Mass., Slasher Tenders' and Helpers' Association has written me to the same effect as regards imports of certain types of cotton cloth; so has William C. King, a felt manufacturer in Boston; likewise B. W. Spencer, president of the Elmvale Worsted Co. in Pittsfield, Mass., with regard to textiles; also Hugh M. Dotto of the Marine Optical Manufacturing Co. in Roslindale, Mass., with reference to optical equipment; also A. W. Samson, Brotherhood of Shoe and Allied Craftsmen, representing 10,000 workers in the shoe industry in the Brockton, Mass., area; likewise Arthur Wellman, Nichols & Co., Inc., of Boston, worsted top manufacturers; in the same vein Ralph B. Wilkinson, president, Greater Lawrence Chamber of Commerce with respect to the Massachusetts textile industry; and also Fred W. Siller, National Mat and Matting Co., Inc., of Wakefield, Mass.

I have just shortly, just a few hours ago, received a telegram from the United States Rubber Co., Fisk tire plant, T. E. Clark, factory manager of Chicopee Falls, Mass., concerning the importation of German bicycles and this telegram is rather short and I ask that it go into the record at this point.

The CHAIRMAN. Yes, it may go into the record.

(The telegram referred to follows:)

CHICOPEE FALLS, MASS., *March 12, 1951.*

Senator HENRY CABOT LODGE,
Senate Office Building, Washington, D. C.

We understand that 40,000 German manufactured 24-inch bicycles are being imported and due to the low tariff will be sold considerably under our manufacturing cost. This amount of bicycles is more than entered the country in the entire years of 1947, 1948, and 1949. If this type of unfair competition is permitted to continue the American bicycle industry will suffer seriously. Since we are large manufacturers of bicycle tires our workers will be vitally affected. Foreign competition is able to do this because of lower labor and material costs in those countries as compared against those in the United States. Respectfully urge your assistance. We are also wiring Senator Walter F. George, chairman of the Finance Committee. We are frankly asking your opposition to the extension of the Reciprocal Trade Agreements Act.

UNITED STATES RUBBER CO., FISK TIRE PLANT,
T. E. CLARK, *Factory Manager.*

Senator LODGE. To add to this representative cross section of businessmen and labor representatives who have written me unsolicited statements in opposition to any unsafeguarded reciprocal trade policy would unduly extend this testimony and consume the valuable time of your committee. Suffice it to add that I have received literally hundreds of letters from individual working men and women in Massachusetts expressing their fears that their livelihood will be jeopardized unless Congress insists upon some effective check on the lowering of tariffs and quotas on substandard foreign imports in particularly sensitive industries. These letters are particularly impressive because they come singly and individually over a long period of time, obviously not the result of group pressure or mass-produced mimeographed postal card protests.

Many of these industries produced vital military equipment in World War II and are presently engaged in work deemed important to our present defense efforts. I most earnestly request therefore that your committee invite a representative of the Military Establishment to testify on the interrelationship between our trade-agreements

program and the national defense. This is, I believe, 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 amendments which I have discussed.

We can—and we must—promote peace without harming our own home industry. There is not—and there should not be—any conflict between these great objectives, both of which mean so much to the livelihood and to the lives of the American people. Thank you very much, Mr. Chairman, for this opportunity. I appreciate the chance to come here.

The CHAIRMAN. Thank you very much, Senator Lodge, for your appearance.

Senator LODGE. Thank you.

The CHAIRMAN. Dr. Coulter.

All right, Doctor, you may be seated, and please identify yourself for the record.

STATEMENT OF JOHN LEE COULTER, REPRESENTING NATIONAL RENDERERS ASSOCIATION

Mr. COULTER. Mr. Chairman and members of the committee, my name is John Lee Coulter, a consulting economist with offices in this city; and on this occasion I am speaking in behalf of the National Renderers Association.

Perhaps I should say in identifying myself that I have many other clients and have assisted them in various ways in analyzing their problems, but in each case they have their own industry representative and, therefore, I am particuarly speaking this morning for the National Renderers Association.

We made a comprehensive oral statement on this subject, that is, the extension of the trade agreements program, before the Ways and Means Committee of the House of Representatives when H. R. 1612 was pending there See House hearings for January 26, 1951, pages 499–513.

This was supplemented by a special statistical and economic study. See House hearings, pages 513–537. Table V of that exhibit became jumbled in the print shop and we desire to submit a fresh copy to be printed at the end of my testimony because we wish to make reference to it, if that is agreeable.

The CHAIRMAN. Very well, it will go into the record.

Mr. COULTER. In other words, we did not attempt to have the House proceedings reprinted in order to correct a badly jumbled-up table. I will give the reporter a copy of the table in question.

In order to save printing costs and the time of this committee we shall not repeat much of what is found in the House hearings. Some points, however, need clarification and others need to be added, especially in view of the fact that the House passed the bill with a series of amendments all of which, subject to minor changes, have the active support of this organization if the present system of trade agreements is to be continued.

In our oral statement before the Ways and Means Committee our first suggestion was that the present law, providing for negotiation of additional trade agreements, or revision of old ones, be permitted to

expire on June 12, 1951. Our primary reasons for that recommendation were first: that both tariffs and excise taxes on inedible tallow and grease as well as on practically all foreign competitive vegetable, animal, and marine fats and oils have already been reduced the full 50 percent permissible in trade agreements already negotiated and, second; we feared that a simple extension of the present law without specific amendment would carry with it endorsement not only of all rate concessions but also of the General Agreement on Tariff and Trade.

Senator MILLIKIN. Dr. Coulter, may I ask, is it your understanding that if no new agreements were made that the agreements made prior to this time would continue in force according to their terms?

Mr. COULTER. They would.

Senator MILLIKIN. Thank you.

Mr. COULTER. Practically every item in the entire tariff act has been either bound on the free list or the rates bound, or their classification bound, or their rates have been reduced.

Senator MILLIKIN. Under agreements heretofore made?

Mr. COULTER. Including those now in process at Torquay.

Senator MILLIKIN. Well, that is what I——

Mr. COULTER. If those were completed.

Senator MILLIKIN. Dr. Coulter, I am trying to draw a distinction between Torquay and pre-Torquay.

Mr. COULTER. Everything pre-Torquay would certainly continue.

Senator MILLIKIN. Yes.

Mr. COULTER. And if Torquay is completed before this act or this extension passed Congress and signed by the President, then they also would be included.

Senator MILLIKIN. Yes.

Mr. COULTER. In the premanent program without regard to——

Senator BUTLER. Doctor, excuse me, have you answered his question?

Mr. COULTER. Yes.

Senator BUTLER. I was going to ask if you could tell us who represents American industries, the whole field, in conferences like those held in Switzerland, and like the one now in progress at Torquay, England.

Mr. COULTER. Government employees, practically all civil service, so-called experts. While there are 96 Members of the Senate here, I understand that there are something like 96 representatives of the Executive over in Torquay, so that while you are legislating on the subject, they are preceding you and completing the job of complete revision of the tariff act.

Senator BUTLER. How does that compare with the way other countries are represented in those conferences?

Mr. COULTER. My experience is that most of the other countries have either on their delegations or in an advisory capacity direct representatives of agriculture, industry, and labor. I wanted to make sure that that was not merely hearsay, and representing a number of groups here, I personally went over, as I had on many other occasions, but I did not go for the Government; I went just to observe the situation over there and I could not get into any meeting of any sort except cocktail parties at Annecy, for instance.

Senator MILLIKIN. Did you try to get in?

Mr. COULTER. Well, I inquired; I tried to register. I tried to enter as an observer, I tried to find a gallery; I tried to attend where there was general discussion, but they said that all sessions were executive, even though I carried with me credentials from several individual industries whom I represented in this country, so that I spent several months visiting around the rest of the countries over there and trying to find out what it was all about before returning home. I may call attention to that one point that impressed me——

Senator MILLIKIN. You are speaking with reference to Annecy?

Mr. COULTER. I am speaking with reference to the Annecy discussions because when it came to Torquay, I was told very specifically that I just absolutely could not get in, and why go?

Senator MILLIKIN. Will you give us some detail on what you have just said, about Torquay?

Mr. COULTER. I represent a number of industries and a number of items are on the trading list, and I appeared before the Committee for Reciprocity Information, and desired to be at Torquay to answer questions or to advise or to be available for consultation, but was told that there would be no opportunity of that sort, and if I wanted——

Senator MILLIKIN. Did you want to be at Torquay?

Mr. COULTER. Yes, sir.

Senator MILLIKIN. Whom did you talk to?

Mr. COULTER. With representatives of the State Department.

Senator MILLIKIN. Do you remember who they were?

Mr. COULTER. I have discussed it at different times with Mr. Thorp, and Mr. Brown, as to whether I could be helpful or not, to further develop some of these points. But they said that the delegations were complete, and they were all official, and I was not in the Government, and that none but Government representatives would be admitted to any of the sessions.

Senator MILLIKIN. Did they encourage you to be there to give off-side advice?

Mr. COULTER. They said that there would be no such opportunity, but that if at any time anything occurred to me that I thought could be useful to them, to write it down and send it, and they assured me that it would be received.

But I had, as I think some of you know, served first as chief economist and statistician for the Tariff Commission, and then served several years as a member of the Tariff Commission, and I was serving in that capacity when this act was passed on June 12, 1934.

At the time the President said that there was going to be set up a hearing board that would correlate all information, and at first he suggested that I represent the Tariff Commission on that board, but I said that I could not unless I represented the entire Commission.

The President then asked me to leave the Commission and to become one of the first members of the Committee for Reciprocity Information, which I did. Since I had left the Commission a week before (technically), then I could not represent any Government agency, and then the President, through a special process, appointed me as a member-at-large, a member of the Committee for Reciprocity Information at large, not representing any department or Government agency.

I sat with the first group who assembled, and who had to draw the rules and regulations governing the Committee for Reciprocity Information, and sat through all of the first 15 or 20 hearings, 15 or 20

countries, all of the hearings in connection with the first 15 or 20 trade agreements, at which time I concluded that there was absolutely no use to continue—that all of that was just gesture work, filling the files, making reports, and going ahead with the revisions which were already planned; and so I resigned from the Committee for Reciprocity Information, and that left me out of the Government entirely. Since that time I have attended every set of hearings of the Committee for Reciprocity Information, representing some American industry, sometimes several, different ones, and have attended all of the public hearings of this committee and the Ways and Means Committee when extensions were in question.

And, as I say, I followed them on to Europe when they started having their sessions over there, instead of here, because I had studied this subject in Europe for 20 or 30 years.

The most important thing which has never been mentioned in any of these hearings, because it does not pertain to any individual industry, is the fact that there were 25 countries of Europe, west from Russia—there were 25 before Estonia, Latvia, Lithuania, Czechoslovakia, and so on, became parts of Russia—25 countries of Western Europe where income taxes on individuals are very poor producers of revenue.

The wages are so low, and the costs of collection so prohibitive, that as a source of revenue they are very unsatisfactory.

Corporate taxes are very poorly levied, and administered, because of the system of cartels, and so on.

Where are those countries going to get money to carry on usual government activity, aside from national defense? I inquired from the Tariff Commission, first as a member, and they said that there was no way to find that out except through either the Commerce Department, through the commercial attachés, or through the Treasury Department, which undoubtedly was studying tax systems all over the world, or through the State Department, which had consular service and embassies.

I took it up with all of those, but each one said, "We would be under suspicion if we started prying into their sources of revenue too intimately," and I was turned away from every Government agency.

Finally, after I left the Government, I made a canvass and got the latest information, latest official reports, from each of these governments, as well as for all other countries in the world, and I made a detailed tabulation when our total revenue here was a matter of $600,000,000 a year from customs duties, I found that their combined—they have about double the population of the United States; we have 150,000,000, and they a little over 300,000,000—they had a revenue from customs duties that ran up to about $3,000,000,000, and accounted for upwards of 20 to 25 percent of their revenue, and——

Senator MILLIKIN. That is a very significant statement.

Mr. COULTER. And with some of the countries it ran up to from 30 to 40 percent of their revenue, and that, together with excise taxes of all sorts, monopoly taxes, tobacco, sugar, salt, liquor, and so on, was a large part of their revenue.

Senator MILLIKIN. Would you say that continues to be the case?

Mr. COULTER. That continued up to the latest figures we could get, which was the outbreak of World War II.

Now, when we told them that they must reduce their tariffs in reciprocal trade agreements, why, we found it necessary to say, "We will make up your deficit through a counterpart Marshall plan or ECA program; we will send the governments of Europe goods which they may sell and get money," and that money goes into the treasury, and we then have a veto as to how they spend it, "and that will make up your loss, under the trade agreement program, when you agree to cut your duty to us," and so, when we have cut ours—now, a full 50 percent—assume that they have done the same or at least they claim they have so far as the technical cutting is concerned, as a reciprocal act in order to get an agreement—then we have made up their deficits in their treasury from our Treasury through ECA counterpart funds.

Now, the ECA people shake their heads and say, "Oh, no, no, there is nothing like that going on," but I am here to say that I personally investigated that situation in several countries in Europe when I was over there this last time, as well as secured reports from every one of those countries separately, their sources of revenue, and the dollar value of their imports, and how much of those imports was from each other—which, in this country, would be interstate rather than international trade—and the amount of their total revenue which came from customs duties, and apparently it is literally a fact that the principal function of our ECA program is to make up their deficits, as we get them to technically lower their rate of duty, in response to ours.

Then, of course, since they cannot live under that regime, all of the exceptions are made, so that with quotas, exchange controls, licenses on imports, exports, and so forth, they then prevent the imports in order to carry out, through their bilateral trades, their methods of procedure.

The CHAIRMAN. Doctor, you do not mean to tell this committee, do you, that the Marshall funds have made up for all the losses of tariff duties collected by all the 25 European states?

Mr. COULTER. No; not all of them, because only about half of them were able to join the ECA program.

The CHAIRMAN. You do not mean to say, do you, that we made up all of their losses?

Mr. COULTER. Indirectly we have for those countries that are parties to the Marshall plan. That does not apply to Portugal and Spain and others who are not members.

The CHAIRMAN. Do you want to stand on that statement?

Mr. COULTER. Yes. I would like to file with the committee, if you would care to go into that phase of the subject——

The CHAIRMAN. All right now, sir, but let us not file any unduly lengthy document.

Mr. COULTER. No; just a one-page table.

The CHAIRMAN. Yes, sir; you may do that.

(The table referred to follows:)

Statistical picture of European countries (1937 or nearest calendar or fiscal year) population, foreign trade, government revenue and tariffs

[Money values reduced to 1,000 current United States dollars]

	Estimated population 1,000	Exports to—		Imports			Government revenue from—		Percent customs of all taxes	Per capita		Percent customs of imports	Per capita total imports
		All countries	Other European	From all countries	From other European	Percentage from Europe	All taxes	Customs duties		All tax revenue	Customs duties		
Portugal	7,275	54,479	22,879	104,777	44,487	42.4	81,269	26,387	32.3	11.17	3.62	25.1	14.40
Spain	24,849	146,189	90,856	162,094	93,855	57.9	470,882	58,066	12.3	18.94	2.33	15.3	6.52
Italy	43,786	548,638	223,221	727,941	355,360	48.8	1,265,698	86,022	6.8	28.90	1.96	11.8	16.62
France	41,906	955,974	408,792	1,700,281	531,515	31.2	1,519,164	313,927	20.7	36.25	7.49	18.4	40.57
Switzerland	4,174	294,484	172,881	412,227	279,039	67.6	100,045	62,970	62 9	23.96	15 08	15.2	98.76
Belgium (including Luxemburg)	8,659	857,093	490,627	919,972	450,523	48.9	302,861	53,656	17.7	34.97	6.19	5.8	106.24
Subtotal	130,649	2,856,857	1,409,256	4,027,292	1,754,779	43.6	3,739,919	601,028	16.07	28.63	4.60	14.9	30.83
Austria	6,760	228,409	176,589	272,859	198,743	72.8	285,627	40,327	14.1	42.25	5.96	14.7	40.36
Germany	67,587	2,376,448	1,417,703	2,198,506	1,053,967	47 9	3,558,819	536,012	15.1	52.65	7.93	24.3	32.52
Holland	8,635	631,977	327,717	853,287	446,360	52.3	276,149	50,224	18.2	31.98	5.81	5.8	98.81
Denmark	3,749	355,214	143,340	375,582	178,314	47.4	117,894	24,546	20.8	31.44	6.54	6 5	100.18
Sweden	6,285	59,743	262,264	541,158	283,363	52.3	222,296	113,561	51.1	33.36	18.06	20 9	86.10
Norway	2,907	204,497	99,686	321,111	167,087	52.0	106,538	34,870	32.7	36.64	11.99	10.8	110.46
Subtotal	95,923	4,306,288	2,427,299	4,562,503	2,327,834	51 02	4,567,323	799,540	17.5	47.61	8.34	17.5	47.36
Greece	6,205	86,523	51,528	137,676	87,694	63 6	100,344	35,093	35.0	16 17	5.64	25.4	22.18
Albania	1,003	3,384	(1)	6,598	(1)	(1)	6,013	1,147	19.0	5.99	1 14	17.3	6.57
Yugoslavia	15,400	144,642	118,179	120,691	91,787	76 0	166,103	19,241	11.6	10.78	1 24	15.9	7.83
Bulgaria	6,280	64,480	48,028	63,320	56,522	89.2	49,686	n. a.	n. a.	7.91	n. a.	n. a.	10.08
Rumania	19,423	230,260	172,993	147,957	121,885	82.3	132,483	13,320	10.1	6.82	.68	9.0	7.61
Hungary	9,035	173,285	132,681	139,982	115,354	82.4	158,372	8,636	5.4	17.52	.95	6.1	15.49
Subtotal	57,346	702,574	523,409	616,224	473,242	76.79	613,001	77,437	12.63	10.69	1.35	12.56	10.68
Czechoslovakia	15,263	418,517	256,953	383,052	225,972	58.9	410,968	29,814	7.2	26.92	1.95	7.7	25.09
Poland	34,500	226,222	138,057	237,351	118,491	49.9	310,220	15,637	5.0	8.99	.45	6.5	6.87
Lithuania	2,550	35,103	16,026	35,778	21,118	59.0	31,948	9,367	29.3	12.52	3.67	26.1	14.03
Latvia	1,951	51,104	28,879	45,315	26,091	57.5	25,548	5,350	20.9	13.09	2.74	11.8	23.22
Estonia	1,131	28,549	16,462	29,870	17,854	59.7	11,517	5,764	50.0	10.18	5.09	19.2	26.41
Finland	3,807	205,012	75,322	203,317	110,614	54.4	69,993	37,549	53.6	18.38	9.86	18.4	53.40
Subtotal	59,202	964,507	531,699	934,683	520,140	58.5	860,194	103,481	12.02	14.53	1.75	11.07	15.79

Statistical picture of European countries (1937 or nearest calendar or fiscal year) population, foreign trade, government revenue and tariffs—Con.

[Money values reduced to 1,000 current United States dollars]

	Estimated population 1,000	Exports to—		Imports			Government revenue from—		Percent customs of all taxes	Per capita		Percent customs of imports	Per capita total imports
		All countries	Other European	From all countries	From other European	Percentage from Europe	All taxes	Customs duties		All tax revenue	Customs duties		
Europe, excluding Russia and United Kingdom	343, 120	8, 830, 226	4, 891, 663	10, 140, 702	5, 102, 995	50. 0	9, 780, 437	1, 581, 486	16. 1	28. 50	4. 60	15. 5	29. 80
United Kingdom	47, 029	2, 578, 763	997, 869	5, 087, 695	1, 398, 502	27. 4	4, 113, 037	1, 083, 300	26. 3	87. 45	23. 03	21. 2	108. 18
Ireland	2, 966	109, 961	5, 897	218, 161	22, 942	10 5	124, 406	47, 274	38 0	41. 47	15. 76	21. 6	72. 72
Subtotal	49, 995	2, 688, 724	1, 003, 766	5, 305, 856	1, 421, 444	26. 7	4, 237, 443	1, 130, 574	26. 68	84. 75	22. 61	21 3	61. 28
Soviet Russia	170, 500	345, 727	137, 458	268, 251	100, 719	37 5	16, 668, 240	163, 180	. 9	97. 90	. 95	60. 3	1. 57
United States	128, 825	3, 349, 167		3, 083, 668			5, 028, 840	486, 357	9. 6	38. 23	3. 59	15. 7	23. 94
Trade with Europe, total		1, 359, 610		843, 329									
Trade with British Isles		548, 642		204, 555									
Trade with Soviet Russia		42, 892		30, 768									
Trade with "Other Europe"		768, 076		608, 006									

Mr. COULTER. I have summarized for each of the 25 countries, but only about a dozen of these are in our ECA plan. Now, Esthonia, Latvia, Lithuania, are not in the trade agreements or ECA programs—Poland is not in; Czecho is.

The CHAIRMAN. You do not mean to state that those Western European countries collected out from our imports $3,000,000,000 a year?

Mr. COULTER. Not out of our imports alone, but all their imports into their countries.

The CHAIRMAN. Certainly they traded one with the other.

Mr. COULTER. Yes.

The CHAIRMAN. And they had their own tariff arrangements between each country.

Mr. COULTER. But my point is that they depended upon custom duties and excises for the bulk of their revenue, because wages are so low that it is practically impossible to get revenue from individual taxpayers.

The CHAIRMAN. By excises you mean all sorts of transactions, taxes?

Mr. COULTER. Yes; especially liquor and tobacco and sugar and salt.

The CHAIRMAN. Well, all transactions.

Mr. COULTER. Yes.

The CHAIRMAN. Transactions in real estate?

Mr. COULTER. That is right.

The CHAIRMAN. As a matter of fact, they do not do much banking business except in their pockets or they did not do during the war period.

Mr. COULTER. That is right, that is true.

Now, I have shown on this one table, for each of these 25 countries—except in Albania one item is missing—I show the amount of their total revenue receipts; that would be as distinct from borrowed money or as distinct from state business operations, like a Socialist or a Government operation, revenue receipts; that is the term used in all fiscal statements of all the countries.

Now, all of these were, of course, in their respective languages and currencies and had to be all converted into dollar terms.

The CHAIRMAN. Yes.

Mr. COULTER. But this one table, if it would interest you——

The CHAIRMAN. You may put it in.

Mr. COULTER (continuing). Shows for each of these countries, and then for the United Kingdom, and separately for Russia, which is not included because Russia's economy, everything is done by the state.

I think that is a sidelight that we need to think of in connection with the economic reasons why some of us have not been enthusiastic about continuing this trade-agreements program any further.

Senator MILLIKIN. Doctor, when you were a member of the Interdepartmental Committee and before and since then, you have had an expert's view of the procedures, so far as they affect the citizen.

Now, the citizen has a right to appear before the—what do you call these panels that sit?

Mr. COULTER. Committee for Reciprocity Information.

Senator MILLIKIN. The Committee for Reciprocity Information. He is not advised of the dimensions of proposed cuts, is he?

Mr. COULTER. No; except that the item "Will be on our trading list."

Senator MILLIKIN. Yes; but if you are a producer that does not tell you what the proposed cut may be.

Mr. COULTER. No; it may merely be bound against an increase.

Senator MILLIKIN. So that when you appear before that Committee you are working in the dark; you do not know the exact extent of the peril to which you may be submitted; is that correct?

Mr. COULTER. That is absolutely true.

Senator MILLIKIN. From that moment on, so far as the producer is concerned, the whole thing is surrounded with complete secrecy, is it not?

Mr. COULTER. Absolutely.

Senator MILLIKIN. He has no idea what is going on in this interdepartmental committee?

Mr. COULTER. No.

Senator MILLIKIN. If there are any erroneous conclusions that are reached from the hearings of the—what do you call it?

Mr. COULTER. Committee for Reciprocity Information.

Senator MILLIKIN. Committee for Reciprocity Information.

Mr. COULTER. Yes.

Senator MILLIKIN. If the testimony there is misinterpreted, he has no further opportunity to correct it, has he?

Mr. COULTER. None whatever.

Senator MILLIKIN. He has no appeal from an erroneous conclusion or what he may think is an erroneous conclusion that arises within the interdepartmental committee, has he?

Mr. COULTER. No.

Senator MILLIKIN. The next thing he knows is when he is confronted with the concession, is that not correct?

Mr. COULTER. That is correct. But, of course, this is true: that many—or at least some industries—and their officials or representatives have, through fear or worry or care or something, gone to members of the Committee for Reciprocity Information or to the administrative officers, like Mr. Thorp and Mr. Brown, and have said, "We are afraid that our case is not understood, and we would like to talk it over."

For instance—and I will touch on this in my very short written statement here—in this particular industry, when the GATT came out, the general agreement came out, and I read it; I said, "Well, here is an industry that is going to be wrecked, the inedible tallow and grease industry, under this, because there is a proviso here—it is under article XI, paragraph 1, item 2, under that paragraph, and then (c) (i), a subtitle—which says:

> If any agreement is entered into for a quantitative restriction there must be a reduction of the domestic production progressively on the same basis as the foreign.

Now, I said, being a farm boy, and having lived all my younger days on the farm, and having been connected with agriculture all the way through, I said, "When cattle eat grass they do not know whether that is going to make tallow or red meat or even bone or the hide."

The same is true when hogs eat corn, and the animals are marketed and slaughtered. Here we produce in this country 2½ billion pounds of tallow and grease a year, almost 2½ billion pounds of lard, as what?

just as valuable as the pork and the beef of the animal, as the hides would be, and unless this is all recovered at the time of slaughter or at the time of sale through the butcher shops, or at some point along the line, we would have an outright loss of literally billions of pounds of fats and oils which, in turn, would wreck many industries like our paint and varnish and linoleum and india ink, and our whole soap industry, and many other industries, margarine, and so on. Some of them are combinations of cottonseed oil, for instance, or peanut oil, and animal oils and fats. Yet we would have to agree to curtail production of cotton in order to reduce our amount of cottonseed oil; we would have to curtail our livestock industry in order to curtail the amount of our tallow or grease; and yet the industry for which I am speaking today, every plant in every State—there are about 400 plants gathering the tallow and grease and hides and bones and the protein feeds, and so on—they are under license; they are under sanitary control, they are under the supervision of the health departments, because otherwise the city or the county or the State would have to make additional levies of taxes and raise large sums of money to collect this material. They could not be put out on dump piles. There would be rat and disease pestholes, and our whole health program is based upon it, so we have got to collect it.

Farmers certainly get something out of the fact that the animals are fat, and that there is a certain amount of tallow and grease on them; consumers certainly get their meats a little bit cheaper because the tallow and grease are salvaged. If they were not salvaged, we would lose simultaneously all the hides and skins that are salvaged at the same time, and the protein feeds, and so on.

The thing was just so unthinkable that I said surely these men in the State Department cannot be so dumb that they will not see through this thing and give us a little hearing, and I——

Senator MILLIKIN. Was this after you had had the public hearings?

Mr. COULTER. Oh, yes, after hearing. You see, on every one of these fats and oils, both the customs duty and the excise taxes have been reduced the full 50 percent in the different hearings, and every imported one——

Senator MILLIKIN. Did the State Department give you a hearing?

Mr. COULTER. Yes; they were very nice.

Senator MILLIKIN. What happened then?

Mr. COULTER. The thing that happened was they said, "Well, don't you worry about that. We will have enough influence in GATT or in ITO or some place along the line so that we will see that you are not hurt."

Hurt? Why, since World War II, this 5-year period, this industry for which I speak today has been so seriously hurt that—while they cannot close because they are under health licenses, and all that, and their trucks have doubled in price and their coal and fuel and taxes and everything else have doubled, and they have to collect their material even if they cannot get anything for it—why, when the war stopped, the imports of coconut oil alone were like a great hurricane sweeping in. We had not been able to get much coconut oil or copra from the Philippines or Indochina or the Dutch East Indies, or any place during the three or four war years.

Senator MILLIKIN. May I interrupt you at this point? You can pick this up later. I am trying to follow through this procedure of

some industry that appeared before the Committee on Reciprocity Information. Now, in this case to which you refer, after the hearings you then had a hearing with the State Department?

Mr. COULTER. Yes.

Senator MILLIKIN. That was of an informal nature?

Mr. COULTER. Informal nature.

Senator MILLIKIN. Not required by the processes and procedures that are laid down?

Mr. COULTER. And no record made for the file.

Senator MILLIKIN. No record was made.

You have no idea what happened after you confided the matter to the bosom of that particular agency, have you?

Mr. COULTER. Oh, yes.

Senator MILLIKIN. Well, you know what happened, but you do not know what happened in the Department, do you?

Mr. COULTER. No; we know that the tariffs were reduced, and the excise taxes were reduced the full 50 percent, and all of these foreign oils, their tariffs were reduced, so that they could come in, and the same was true even of hides and skins, protein feeds, bonemeal, and dried blood.

Senator MILLIKIN. The State Department in this particular case was not required to hear you, was it?

Mr. COULTER. No; except courtesy.

Senator MILLIKIN. You have no idea of what was the subsequent consultation history, if any, between the State Department and the other agencies that have a part in the program?

Mr. COULTER. No; except that GATT was strengthened instead of any clarifying provisions——

Senator MILLIKIN. I am trying to cover those steps between the final result or death sentence or whatever you want to call it, and the time you are given an opportunity to be heard; between the time you are given an opportunity to be heard and the time of the final sentence, as it appears, or the final result, as it appears; there is no step anywhere in the procedure that gives you the opportunity to appeal against error which may be made by those departments which sit in judgment, is that correct?

Mr. COULTER. That is correct, except they say, "If you want to write anything down and send it in, we will get it; we have got files for it." They are very courteous, the State Department people always are.

Senator MILLIKIN. But, Dr. Coulter, how can you write anything down that has relevancy if you do not know what is going on in secret between those various departments?

Mr. COULTER. Well, we just hope and pray that some time or other—of course, that is what prompted us to work so hard against the adoption of the ITO, because it had a worse provision than GATT has.

Senator MILLIKIN. From the time you made your first presentations, and these other informal things that may be possible, to which you referred, until the decision comes down, you are on a hope and pray basis, is that correct?

Mr. COULTER. Absolutely; and now we are worse than that because when the tropical oils and fats commenced flooding in when the war was over, the amount of——

Senator MILLIKIN. Let me ask you another question before you get to your own business.

Mr. COULTER. Yes.

Senator MILLIKIN. You were denied the right to counsel our negotiators at Annecy?

Mr. COULTER. Yes.

Senator MILLIKIN. In substance, you were denied a similar right so far as Torquay was concerned?

Mr. COULTER. Yes.

Senator MILLIKIN. Do you know of any industry in this country which was invited to sit at the elbow of our negotiators at either Annecy or Torquay?

Mr. COULTER. I have been told that there have been absolutely none.

Senator MILLIKIN. You know of no such case?

Mr. COULTER. I know of no such case.

Senator MILLIKIN. Thank you.

Now, I interrupted you.

The CHAIRMAN. Please proceed with your statement, Doctor.

Mr. COULTER. Since we have reviewed this particular illustration, this rendering industry, in oral discussion, I will not need to read it from the manuscript, although I think it would be better if the statement, as I prepared it, were to appear continuously in the record.

The CHAIRMAN. We will be glad to let that go in, Doctor. Let us make as much progress as we can. We have to leave at 12 o'clock.

Mr. COULTER. Yes.

I can conclude on that with just one illustration, that whatever the causes were, whether it was reductions in tariff and excises or these other provisions, certain it is that the price of inedible tallow, which averaged 19$\frac{3}{10}$ cents a pound, which is much less than meat and hides, and so on, in 1947 was down to less than 6 cents a pound by 1949.

Senator MILLIKIN. Is that due to imports?

Mr. COULTER. Well, the imports became so formidable that the amount of coconut oil, for instance, in soap was increased about 400,000,000 pounds.

Senator MILLIKIN. Let me repeat my question: In your judgment was that fall-off in price due to imports?

Mr. COULTER. That is one of the big factors; and yet we have no remedy whatever, because if we go before——

The CHAIRMAN. What is the price now, Doctor?

Mr. COULTER. The price since Korea——

The CHAIRMAN. Yes, sir.

Mr. COULTER (continuing). Since June——

The CHAIRMAN. Well, you are going back into another comparable period, a war period.

Mr. COULTER. Yes. Now, it has gone up from about 6 cents to, I think the Price Department is binding it today at 15 cents.

Senator MILLIKIN. That is an average?

Mr. COULTER. For fancy extra tallow in car lots. They are binding it today at 15 cents, I understand.

Senator MILLIKIN. Before you spoke of an average, when you referred to 6 cents?

Mr. COULTER. That was an average for a year and a half before Korea.

Senator MILLIKIN. Of all inedible fats?

Mr. COULTER. No; animal fats, especially inedible tallow.

The CHAIRMAN. Just animal fats?

Mr. COULTER. Yes, sir; those that you cannot control. So there is no way under the escape clause as this is written; all you could petition for would be a quota of some sort, and they would not grant that, and if you did that they would say, "You have got to curtail domestic production before you can curtail the imports," so that the thing just was not working and, therefore, I can say without reading the rest of this in detail, if it can go into the record——

The CHAIRMAN. Yes, sir.

Mr. COULTER. I would say that we, this industry, took the position that it was better to let the whole act die, and so we made that suggestion to the Ways and Means Committee. However, in view of the amendments adopted on the floor, we believe that with these amendments—if carefully edited or further study would result in better wording—we think that it might be possible for us to gain some remedy in cases of not only threatened injury by actual injury of this sort and, therefore, we not support the bill as it came over, as amended in general terms. I think the rest of this we have largely talked over in our oral discussion.

I would say this, that we think that, along with what came over from the House, we would like to see section 336 restored, and also section 516 (b), which is court review of classifications.

Senator MILLIKIN. Do you have classification troubles?

Mr. COULTER. Well, yes, in the sense that in the case of all of the animal, vegetable, marine fats, and oils, there is so much interchangeable, and there are so many basket clauses in the n. s. p. f.——

Senator MILLIKIN. What is that?

Mr. COULTER. Not specially provided for; you find that in baskets all through the different schedules in the animal schedules and over in the chemical schedules and so on, so we would like to see 516 (b) restored, giving a right to use the Customs Court and the Court of Customs and Patent Appeals in case an imported article is put into the wrong classification, and we would like to see section 336 restored so that we might be able to go in there and get a review of the situation in the hope that we might save an important industry from great injury.

Now that, gentlemen, and thank you very much, does conclude the statement.

The CHAIRMAN. The full statement will go in the record, together with the other documents.

Mr. COULTER. Yes; there were just two tables.

(The prepared statement together with the tables referred to follow:)

STATEMENT OF DR. JOHN LEE COULTER, CONSULTING ECONOMIST, REPRESENTING NATIONAL RENDERERS ASSOCIATION

We made a comprehensive oral statement on this subject before the Ways and Means Committee of the House of Representatives when H. R. 1612 was pending there. See house hearings for January 26, 1951, pages 499–513.

This was supplemented by a special statistical and economic study. See House hearings, pages 513–537. Table V of that exhibit became jumbled in the print shop and we desire to submit a fresh copy to be printed at the end of my testimony because we wish to make reference to it.

In order to save printing costs and the time of this committee we shall not repeat much of what is found in the House hearings. Some points, however, need clarification and others need to be added, especially in view of the fact that the House passed the bill with a series of amendments all of which, subject to minor changes, have the active support of this organization if the present system of trade agreements is to be continued.

In our oral statement before the Ways and Means Committee our first suggestion was that the present law, providing for negotiation of additional trade agreements, or revision of old ones, be permitted to expire on June 12, 1951. Our primary reasons for that recommendation were, first, that both tariffs and excise taxes on inedible tallow and grease as well as on practically all foreign competitive vegetable, animal, and marine fats and oils have already been reduced the full 50 percent permissible in trade agreements already negotiated and, second, we feared that a simple extension of the present law without specific amendment would carry with it endorsement not only of all rate concessions but also of the General Agreement on Tariffs and Trade.

GATT would permit only very limited use of import quotas. It would prohibit general use of that form of control over imports, no matter how important for protection of domestic producers or the general welfare, although presumably that form of regulation is permissible under "Regulation of Commerce with foreign nations" authorized in section 8 of article I of the Constitution, if provided by act of Congress.

At this point we desire to call attention to the provision contained in section 8 of article I of the Constitution which provides that "The Congress shall have power to lay and collect taxes, duties, imposts, and excise, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States." Congress shall also have power "to regulate commerce with foreign nations" and "to coin money and regulate the value thereof and of foreign coin." In conclusion, section 8 provides that "Congress shall have power to make all laws which shall be necessary and proper for carrying into execution the foregoing powers, and all other powers vested by this Constitution in the Government of the United States, or in any department or officer thereof." These powers are unilateral and in addition to treaty-making powers.

We are aware of the statement of the Senate Finance Committee in the committee report accompanying the 1949 extension bill, in which it was pointed out that "favorable report of the bill was not to be construed as a commitment to GATT." But no provision was made in the 1949 extension bill, which became law, to review or revise the provisions of GATT or even to give congressional sanction to the escape clause or to provide rules of practice and procedure in connection with investigations of injury to producers resulting from trade agreements concessions. These are all subject to executive action or decision by GATT itself.

Furthermore, in our industry there have been injuries due to extraordinary fluctuations in quantity of imports "of like or directly competitive articles" which could not be attributed to trade-agreement concessions. Nonetheless, there are provisions in Gatt which would make it impossible to find relief through the use of quotas to deal with these other sources of injury. Thus Gatt has gone far beyond trade agreements without attempting to develop any form of escape clause to deal with these other situations or causes of injury.

If, therefore, an extension bill is to be passed, we believe it should include some such provisions as those inserted by the House in H. R. 1612, in sections 7 and 8, although it is our opinion that these two sections might be revised to advantage.

From this introduction, it will be clear that we wish to renew our objection to H. R. 1612 in its original form but to record our approval of the bill as passed by the House, especially if it is further improved along lines suggested. It is important to bear in mind the fact that practically every commodity listed by

the Tariff Act of 1930 will have been modified in some of the nearly 45 trade agreements which will be in effect after the Torquay Conference. No rates of duty or excise taxes will have been increased. The general decrease in average rate of duty will have been from an average of about 40 percent of value of all dutiable imports to an average of about 10 percent or 12 percent. Many items will have been found on the free list or against tariff increases.

SOME REASONS WHY WE FAVOR H. R. 1612 IN ITS AMENDED FORM ESPECIALLY IF FURTHER IMPROVED

I am speaking for a trade association, the members of which produce a very large proportion of the inedible tallow and grease produced in the United States. Most of them would be classed as small business. There are plants in every State—wherever livestock and poultry are produced, slaughtered, or sold and such products consumed. Fats and oils are a major joint product of the livestock industry. Annual production of butter amounts to nearly 2 billion pounds, of lard over 2 billion pounds, and of tallow and grease over 2 billion pounds—a total of about 6 billion pounds. This is about the same as the total annual production in the United States of vegetable fats and oils (cottonseed oil, soybean oil, flaxseed, or linseed oil, peanut oil, corn oil, and several minor items). These 12 billion pounds are not only a major item in the human diet but provide a major source of raw materials for many important industries, such as paint, varnish, ink, linoleum, soap of all kinds, margarine, cooking fats, salad dressings, and a dozen other products including such technical items as glycerine, which is a critical or strategic material of national defense in the production of major munitions of war.

Members of the National Renderers Association are also producers of large quantities of other livestock products such as hides and skins, protein feeds, bonemeal, dried blood, etc. Failure to salvage the basic oil- and fat-bearing materials would result in failure to save these other products.

These joint products not only supplement the meat produced from livestock, for the use of many industries and all consumers, but increase employment and tend to reduce the price of meat to consumers.

This industry is closely related to all public-health and sanitary programs. It is licensed, supervised, and in the public interest. Without this industry the public would be called upon for large additional tax burdens.

The livestock industry is the basis for our high living standards in this country (dairy, poultry, and meat products) in contrast to low living standards in India, China, and most other densely populated areas of the world. But perhaps even more important is the fact that livestock make use of all wasteland and force the development of diversification to provide pasture, hay, and forage crops as well as feed grains, beet tops, and pulp, etc., and thus livestock are the greatest factor in conservation and protection against erosion, and contribute to fertility and thus result in greater yields of all other feed, food, and fiber crops and specialties such as tobacco, broom corn, fruits, nuts, and vegetables. If disease should decimate our livestock, agriculture and all consumers would suffer untold hardship, living standards would be lowered, etc. For these and other reasons we must protect every phase of our animal products industries.

One of the most continuous dangers is the threat or actual flooding of the American market with billions of pounds of marine and tropical vegetable fats and oils and the materials from which these are derived. On at least two occasions during the past 20 years our whole economy has suffered from such an occurrence.

In order to be truly objective, it should be noted here that some of these foreign oils and fats (or materials from which they are derived) are definitely needed in our economy. Some are complementary and add to supply what is produced here. But there is a vast amount of direct competition due to widespread interchangeability; as a result, the imported product displaces the domestic, and these foreign products, coming from low-cost-of-living countries, may literally wreck our whole domestic oils-and-fats price structure.

It is important to note here that the foreign sources for the materials are not generally dependable. Two illustrations of this point will suffice. For many years since the turn of the century, the United States depended upon a large volume of tung oil from China. Imports reached or exceeded 100,000,000 pounds annually. This oil has a world reputation as a quick-drying oil for use in paints, varnishes, and linoleum. To some extent it displaced linseed oil, but primarily it was complementary in character, since it had greater drying qualities. It was produced at relatively low cost in China because tung trees generally grew on rugged land or rough ground along rivers where land was not used for food such

as rice. Presently a time came when Japan engaged in the conquest of China and suddenly the United States was entirely shut off from that or any other source of tung oil. American industries were forced to depend upon the less desirable linseed oil, to find new substitutes elsewhere, or to grow tung trees in this country. Between 1940 and 1950 a suitable substitute was found in the jungles of Latin America (oiticica oil), but only relatively small amounts of this product were available. Extraordinary efforts were made to produce tung oil in the southern part of the United States in northern Florida, southern Georgia, and southern Alabama, and southern Mississippi. A narrow strip of land in that region has been found adapted for tung-oil plantations, generally on cut-over land, but the amount produced has thus far been only a small fraction of that desired by American industry. After the defeat of Japan in August 1945, tung oil again became available from China. More recently the Communist conquest of China and our conflict with this Asiatic region has left the market in confusion. During recent days tung oil has been quoted at about 40 cents per pound, oiticica oil has been quoted at about 32 cents a pound, while linseed oil has been quoted at about 22 cents a pound. During the decade following World War I, these drying oils were generally quoted at about 10 cents per pound. It will be seen that the source of this important special type of oil has been far from dependable.

Perhaps the case of coconut oil (including copra) is a better illustration because of its effect on the domestic inedible tallow and grease market. During the 15 years 1921–35, coconut oil and palm-kernel oil were very largely used in the soap industry; the amount ranged annually between 200 million and 400 million pounds. In 1936 babassu was added to this list; it came from the jungle areas of Latin America. In 1941 these so-called lauric acid oils used in the soap industry reached 515 million pounds. Then came the war with Japan, which quickly got complete possession of the Philippines and the British, French, and Dutch possessions of southeast Asia. The result was that by 1945 less than 60 million pounds of coconut oil was available for the soap industry. These quick-lathering (lauric acid) oils, which had furnished about 22 percent of all fats and oils used in the soap industries from 1921 to 1941, declined to only 5.7 percent of the oils so used by 1945. This forced major changes in the soap and some other industries. The price of inedible tallow and grease produced in the United States was held down to between 8 and 9 cents under Government control programs. But immediately after the defeat of Japan the American market was literally flooded with these same oils, and in 1947 imports of coconut oil alone (including oil content of copra from which it is derived) exceeded 877 million pounds, which was the largest quantity of this product imported in the Nation's history. During that year 525,894,000 pounds were used in the soap industry of the country. Thus the quantity of quick-lathering oils used in the soap industries jumped from 121,760,000 pounds in 1945 to 525,894,000 in 1947. Needless to say, this produced a serious condition in the domestic inedible-tallow and grease-producing industry because production of inedible tallow and grease had been increased from 1,167,000,000 pounds annually during the 5 years before World War II to 2,023,000,000 pounds in 1947. In other words, domestic production of these products practically doubled during the war period.

Under the circumstances, it is not surprising that the general market price for prime inedible tallow fell from an average of 19.2 cents per pound in 1947 to a level of 5 or 6 cents per pound during 1949 and the first 6 months of 1950 While there were undoubtedly other factors involved in this situation, there is good reason to believe that the tremendous shift in the amount of imported coconut oil was first in importance. It is not our contention, however, that reduction in either the tariff or excise taxes on inedible tallow and grease or upon foreign competitive fats and oils were entirely to blame.

It is a fact, however, that other provisions in trade agreements (GATT) prohibit us from protecting the American industry by import quotas, except as a result of long-drawn-out negotiations with foreign countries and then only on condition that the United States curtail production in proportion to any limitation which may be imposed upon imports. It will be apparent at once that this is a requirement which makes it impossible for the United States to act (unless Congress shall pass legislation modifying GATT), for it must be obvious that we cannot require cattle to produce more meat and less tallow when they graze or when they consume hay, feed, or forage crops and grains; likewise, it is just as impossible to force hogs to produce more lean meat and less lard. And it would be unsound economy to cause the domestic industry to leave or destroy a percentage of the tallow regularly recovered in packing plants, meat shops, and rendering establishments.

At the present time the industry which I represent, in cooperation with the Government, is engaged in extensive research projects seeking new uses for prod-

ucts of the industry primarily because of this unreliable foreign competition, development of synthetic detergents as s substitute for soap products, etc. While this research may yield useful results, in the long run we believe that Congress should make provision in connection with trade agreements so that import limitations might be imposed under certain circumstances as one method of escape from injury or threatened injury to American industry as a result of burdensome imports of competitive substitutes.

In conclusion,

1. We believe that it would be better to let the present law expire on June 12, 1951, than to extend it in its present form.
2. We feel that the amendments added in H. R. 1612 overcome most of the serious objections but urge careful study of these amendments, especially as to phraseology. We commend the suggestions of the American Tariff League as to section 7.
3. We especially agree with the summary contained in the first paragraph of the statement by the National Grange.
4. We think the pending bill would be further improved by providing for restoration of sections 336 and 516b.

TABLE V.—*Fats, oils, and rosins used in the manufacture of soap, United States*

[Figures in thousands of pounds]

	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Hard oils (tallow class):										
Slow lathering:										
Tallow, inedible	373,223	429,966	412,749	428,881	390,789	430,886	484,029	440,943	434,755	442,610
Grease	136,322	161,985	160,167	292,123	242,466	242,424	242,712	261,454	245,516	243,944
Whale and fish oils	37,613	90,505	73,269	67,781	98,940	111,673	135,549	142,220	134,107	113,829
Palm oil	24,386	30,389	102,323	82,250	119,400	100,960	112,460	142,363	192,331	191,956
Tallow, edible										
Oleostearine										
Vegetable tallow			8,548	5,198	6,424	2,477	5,688	7,262	10,211	6,042
Lard										
Total	571,544	712,845	757,056	876,233	858,019	888,420	980,438	994,242	1,016,920	998,381
Quick lathering:										
Coconut oil	194,417	237,702	267,982	260,000	286,000	270,206	334,765	335,417	334,205	303,271
Palm-kernel oil	593	685	3,287	4,440	45,037	83,653	31,248	50,578	72,920	29,431
Babassu oil										
Total	195,010	238,387	271,269	264,440	331,037	353,859	366,013	385,995	407,125	332,702
Soft oils:										
Cottonseed oil foots	76,018	61,966	52,676	77,214	109,824	118,727	114,511	105,206	108,904	103,360
Cottonseed oil, ined	47,935	19,759	10,824	10,000	8,000	5,000	7,500	20,000	12,000	7,500
Olive oil, foots and ined	16,609	21,735	28,641	32,024	49,083	52,206	48,190	48,060	53,629	49,842
Soybean oil	10,756	2,307	3,266	2,500	2,250	2,500	2,500	2,500	6,400	5,000
Corn oil	2,405	4,941	5,617	5,000	5,000	5,000	5,000	5,000	5,000	4,000
Sunflower oil										
Peanut oil	10,983	6,711	6,900	5,000		3,000	2,000	3,000	1,700	1,500
Castor oil								4,835		2,829
Sesame oil										
Oleo oil										
Rape oil										
Olive oil, edible										
Neat's foot oil										
Perilla oil										
Linseed oil								1,916		1,488
Tung oil										
Other oils	59,301	50,730	59,320	49,000	52,000	57,000	67,000	70,000	70,000	57,000
Total	224,007	168,149	167,244	180,738	226,157	243,433	279,701	254,426	264,496	228,617
Total fats and oils	990,561	1,119,381	1,195,569	1,321,411	1,415,213	1,485,712	1,626,152	1,634,663	1,688,541	1,559,700
Rosin	100,000	141,350	143,378	104,956	140,615	118,257	100,227	91,269	114,300	109,484
Total saponifiable materials	1,090,561	1,260,731	1,338,947	1,426,367	1,555,828	1,603,969	1,726,379	1,725,932	1,802,841	1,699,184

TABLE V.—*Fats, oils, and rosins used in the manufacture of soap, United States*—Continued

[Figures in thousands of pounds]

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Hard oils (tallow class):										
Slow lathering:										
Tallow, inedible	523, 714	549, 186	508, 824	662, 858	663, 002	660, 020	613, 509	702, 267	785, 041	786, 456
Grease	129, 403	143, 724	124, 743	142, 782	98, 086	98, 714	94, 247	96, 356	120, 856	256, 886
Whale and fish oils	127, 095	98, 035	97, 063	98, 544	138, 410	160, 647	189, 009	145, 954	166, 483	107, 911
Palm oil	172, 228	168, 009	187, 962	154, 704	87, 311	78, 453	141, 358	91, 642	102, 146	84, 934
Tallow, edible	1, 498	1, 969	2, 389	1, 098	1, 431	228	143	332	418	657
Oleostearine	53	374	362	452	338	320	321	240	278	549
Vegetable tallow	3, 256	511	----	----	----	----	----	----	----	----
Lard	----	----	----	24	1	9	----	1	50	645
Total	957, 243	961, 808	921, 343	1, 060, 462	988, 579	998, 391	1, 038, 587	1, 036, 792	1, 175, 272	1, 238, 038
Quick lathering:										
Coconut oil	340, 503	353, 527	322, 264	341, 124	229, 711	307, 376	252, 241	342, 982	388, 912	396, 857
Palm-kernel oil	28, 035	3, 565	6, 278	16, 516	37, 273	26, 443	111, 514	29, 498	3, 657	197
Babassu oil	----	----	----	----	----	8, 993	14, 308	8, 289	37, 633	41, 221
Total	368, 538	357, 092	328, 542	357, 640	266, 984	342, 812	378, 063	380, 769	430, 202	438, 275
Soft oils:										
Cottonseed oil foots	152, 000	152, 000	145, 000	141, 000	191, 000	183, 000	183, 000	208, 000	190, 000	170, 000
Cottonseed oil, ined	1, 970	3, 583	6, 967	2, 702	1, 857	1, 278	8, 414	12, 883	1, 061	2, 971
Olive oil, foots and ined	41, 076	32, 789	33, 879	32, 364	33, 197	25, 599	18, 874	16, 312	20, 507	16, 585
Soybean oil	3, 816	5, 571	4, 235	1, 354	2, 549	5, 023	10, 274	10, 897	11, 177	17, 612
Corn oil	4, 104	2, 532	3, 638	6, 268	2, 828	2, 527	2, 392	2, 514	4, 441	3, 638
Sunflower oil	----	----	7, 889	7, 142	103	----	----	----	----	----
Peanut oil	244	290	529	147	754	1, 734	820	545	805	387
Castor oil	2, 408	2, 090	1, 786	1, 786	1, 056	1, 623	2, 123	1, 810	946	1, 225
Sesame oil	8, 197	1, 871	758	466	749	1, 869	2, 944	302	14	38
Oleo oil	446	260	112	85	93	57	74	119	67	127
Rape oil	----	89	39	994	8, 001	7, 771	981	55	2	49
Olive oil, edible	14	52	61	51	33	53	21	31	54	130
Neat's foot oil	33	27	20	61	33	41	16	20	11	19
Perilla oil	----	----	----	----	16	8	2	----	----	----
Linseed oil	985	980	1, 022	1, 022	1, 196	1, 482	1, 359	1, 455	1, 780	1, 489
Tung oil	----	----	5	35	----	2	----	----	----	----
Other oils	233	6, 059	176	1, 836	4, 762	4, 268	10, 812	14, 031	7, 364	2, 051
Total	216, 450	208, 516	206, 378	197, 313	248, 227	236, 335	242, 106	258, 974	238, 230	216, 321
Total fats and oils	1, 542, 231	1, 527, 416	1, 456, 263	1, 615, 415	1, 503, 790	1, 577, 538	1, 658, 756	1, 676, 535	1, 843, 704	1, 892, 634
Rosin	119, 934	130, 675	132, 086	141, 732	139, 375	148, 536	136, 410	117, 464	96, 356	78, 419
Total saponifiable materials	1, 662, 265	1, 658, 091	1, 588, 349	1, 757, 147	1, 643, 165	1, 726, 074	1, 795, 166	1, 793, 999	1, 940, 060	1, 971, 053

	1941	1942	1943	1944	1945	1946	1947	1948	1949
Hard oils (tallow class):									
Slow lathering:									
Tallow, inedible	1,057,303	1,188,923	896,286	1,005,777	952,334	871,968	1,108,909	980,651	961,505
Grease	310,487	338,974	463,811	524,156	412,105	338,469	417,260	471,105	384,092
Whale and fish oils	76,312	72,401	44,972	50,900	114,346	39,714	42,550	35,477	[2 4 5 6] 1,194
Palm oil	129,871	55,865	32,621	19,675	24,500	7,417	1,091	956	[1] 220
Tallow, edible	4,826	634	4,652	43,761	32,067	6,895	7,087	1,556	[2 4 5 6] 1,012
Oleostearine	70	483	275	211	----------	----------	----------	----------	----------
Vegetable tallow	----------	----------	----------	----------	----------	----------	----------	----------	----------
Lard	89	96	74,039	[7] 176,260	82,070	744	5,973	3,716	----------
Total	1,578,958	1,657,376	1,516,656	1,820,746	1,617,422	1,265,207	1,582,870	1,493,461	1,348,023
Quick lathering:									
Coconut oil	484,124	140,487	142,346	131,558	59,353	184,906	511,313	417,194	282,435
Palm-kernel oil	1,113	1,028	1,840	1,938	29,967	18,939	(2)	(3)	64
Babassu oil	29,753	19,105	25,814	13,006	32,476	35,834	14,581	19,413	23,394
Total	514,990	160,945	170,000	146,502	121,796	239,679	525,894	436,607	305,893
Soft oils:									
Cottonseed oil foots	190,000	190,000	269,425	302,343	363,705	334,986	227,847	180,306	188,016
Cottonseed oil, ined	3,013	2,863	991	586	1,695	522	920	720	[1] 236
Olive oil, foots and ined	10,584	5,188	5,486	2,956	1,987	801	764	2,403	[1] 1,765
Soybean oil	24,737	31,510	15,428	3,258	4,219	3,545	5,375	2,794	[1] 1,991
Corn oil	4,948	4,012	831	887	721	299	446	185	[1] 25
Sunflower oil	----------	----------	----------	----------	----------	----------	----------	----------	----------
Peanut oil	597	485	256	564	846	7,347	374	271	(1 2)
Castor oil	1,976	1,599	878	16,962	1,399	553	9,041	7,745	[1] 571
Sesame oil	304	189	70	----------	----------	1	8	5	----------
Oleo oil	189	205	2,160	3,243	3,685	3,082	40	----------	----------
Rape oil	5	----------	1	----------	----------	16	----------	----------	----------
Olive oil, edible	84	27	11	83	18	1	4	----------	----------
Neat's foot oil	35	19	68	9	7	49	29	2	(6)
Perilla oil	----------	----------	----------	----------	----------	3	----------	----------	----------
Linseed oil	2,278	4,019	1,697	2,253	915	576	276	339	[1] 80
Tung oil	----------	----------	----------	----------	----------	----------	----------	----------	----------
Other oils	1,162	2,487	675	3,164	2,338	448	712	4,004	16,632
Total	239,909	242,693	297,977	336,308	381,753	352,221	245,830	198,774	192,684
Total fats and oils	2,333,857	2,060,689	1,984,633	2,303,556	2,120,753	1,857,107	2,354,594	2,128,842	1,846,600
Rosin	103,061	97,850	119,804	193,144	121,522	74,694	79,866	53,334	----------
Total saponifiable materials	2,436,918	2,158,539	2,115,137	2,526,000	2,272,075	1,757,001	2,450,789	2,199,677	----------

[1] Included in "Total of vegetable oil not shown separately, including small quantities for items for which data are not reliable."
[2] Excludes quantities used in refining.
[3] Data not available.
[4] Not shown to avoid disclosure of individual operations.
[5] Included in "Total of primary products (other than vegetable oils) not shown separately, including small quantities for items for which data are not reliable."
[6] Included in "Total of secondary products not shown separately, including small quantities for items for which data are not reliable."
[7] Secondary fats and oils consisting of inedible animal stearin, grease (lard) oil, tallow oil, foots, palm oil residue, palm oil, red oil, stearic acid and other fatty acids.

The CHAIRMAN. Are there any further questions of Dr. Coulter? Thank you very much, Doctor.

Mr. Coe, Mr. H. L. Coe?

(No response.)

The CHAIRMAN. Is Mr. Coe, representing the Bicycle Institute of America, in the room?

Senator BUTLER. That is a very important industry in Nebraska, Mr. Chairman.

The CHAIRMAN. Yes. I have had a good many letters about it.

Senator BUTLER. Since the war the imports from England have been taking the market.

The CHAIRMAN. Mr. Garstang? You may have a seat, Mr. Garstang, please. Identify yourself for the record.

We will go back to Mr. Coe, Senator Butler, later.

STATEMENT OF M. R. GARSTANG, COUNSEL FOR THE NATIONAL MILK PRODUCERS FEDERATION

Mr. GARSTANG. I am counsel for the National Milk Producers Federation. I will only read part of this statement in order to take a little less time.

The National Milk Producers Federation is a Nation-wide organization of dairy cooperatives. Its offices are located at 1731 Eye Street NW., Washington, D. C. The federation has 88 direct member associations and some 600 or more submember groups. The members and submembers of the federation are cooperative associations engaged in the processing and marketing of milk and dairy products. These cooperatives are in turn owned and operated by approximately 450,000 farm families. About 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.

Federal legislation which may affect the income and standard of living of American agricultural producers, particularly those engaged in dairy farming, directly concerns these farm families and the cooperatives through which they act together to process and market their milk.

The policy of the federation on national legislation is determined at annual membership meetings. It reflects the viewpoint of producers and processors of milk from coast to coast and from the northern to the southern boundary of the United States.

The federation has for several years been concerned about the long-range effect of the Government's foreign trade program on American agriculture. In particular, the dairymen have been apprehensive and ill at ease since 1947, when trade agreements ceased to deal primarily with tariffs and broadened out into international trade practices and international organizations, such as those included in the General Agreement on Tariffs and Trade and in the proposed charter for an international trade organization.

We have been concerned over the readiness and willingness of Congress to let the power which it granted in the Trade Agreements Act be used to commit the United States to foreign treaties involving many issues other than tariffs. We have been concerned over the use of that power to commit the United States to membership in an international trade organization, without the specific approval of Congress.

We have seen that power used to commit the United States to a policy of admitting substandard agricultural imports produced under sanitary conditions less stringent than those required of domestic producers. We have seen the power used to bargain away the right of the Congress of the United States to put into effect in this country a farm program based on a two-price system. We have seen the power used to take away from Congress and vest in an international trade organization the right to determine whether the United States may control imports into our own country to permit surplus stocks owned by the Government to be first liquidated. We have seen the power used to take away from Congress the right to control effectively imports of foreign agricultural products which are interfering with our domestic price-support programs. We have seen the power used to take away from the Congress the power to put into effect in this country through Federal legislation the self-help agricultural program developed by the federation.

Is it any wonder, then, that the American dairy farmer is restless and uneasy over the prospect that the Congress may extend further, without adequate control, such broad and unlimited power?

The following quotation taken from the resolutions of the federation adopted last November at our annual meeting in Minneapolis, discloses the concern of the dairyman over current trends in foreign-trade policies:

> The privilege of making trade agreements is vested by our Constitution in the Congress, because Congress in our three-point system of Government is representative of the people. Responsibility for the trade agreements and for their effect upon American industry and agriculture rests squarely on the shoulders of Congress. We believe Congress should accept this responsibility and should retain control over the trade-agreements program. We do not think it is necessary, in order to promote international trade, for Congress to turn over to the State Department without adequate reservation its power and duties with respect to trade agreements.
>
> We favor an amendment to the Trade Agreements Act to require all trade agreements executed thereunder to be submitted back to Congress for approval before becoming effective. Such a provision would present no great difficulty with respect to trade agreements which are sound. Those agreements which are of such doubtful value that they cannot withstand the scrutiny of Congress are better left unexecuted.

I will skip then over to the first paragraph on page 4.

Import controls on fats and oils provide another example of the extent to which the hands of Congress have been tied under the too generous grant of power in the Trade Agreements Act. The Eighty-first Congress, recognizing the necessity for controlling such imports, extended title III of the Second War Powers Act to July 1, 1951 (Public Law 590), for the purpose of authorizing such controls.

However, in order to continue in effect after January 1, 1951, the import controls so authorized by Congress, it was necessary first to obtain the consent of the contracting parties to the general agreement. This was because article XX of the general agreement provides that import licenses essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government may not be used after January 1, 1951, without the consent of the contracting parties. Other restrictions on the use of import controls appear in article XI of the agreement.

Senator MILLIKIN. You are referring to a special law, are you not, passed by the Congress that gave the right to put appropriate limitations on the importations of fats and oils?

Mr. GARSTANG. That is right.

Senator MILLIKIN. Are you now saying that that special law of Congress then became subject to conferences and negotiations with other countries to find out whether that law would be agreeable to them?

Mr. GARSTANG. Yes.

Prior to January 1, 1951, the State Department had to get the consent of the contracting parties in order to continue in effect the controls applied under that law after the 1st of last January.

Mr. CHAIRMAN. Did they get it?

Mr. GARSTANG. Yes, sir.

The CHAIRMAN. Did they get the consent?

Mr. GARSTANG. Yes, sir.

The Congress of the United States now finds itself in the position where it can no longer protect the interests of our own citizens by restricting imports into our own country without first getting permission to do so from the "Little ITO".

The American dairy farmer is thus brought face to face with a condition which the federation has consistently warned would result from present foreign trade policies. When imports threaten the existence of vital price support programs, the dairyman can no longer look to their congressmen for protection. Congress has permitted its power to control imports to be bargained away in the general agreement. Relief can now be granted only with the consent of the "Little ITO", an international trade organization in which the United States has only one vote.

Although permission was given us this time to continue import controls for one year, on a limited number of items, it does not follow that similar permission can be obtained in the future.

Senator MILLIKIN. Have you got the reference to that special legislation, the legal reference to it? Have you put it in the record?

Mr. GARSTANG. Public Law 590, Eighty-first Congress.

Senator MILLIKIN. All right.

Mr. GARSTANG. Neither do we know how much has been bargained away for the present temporary right nor how much we will have to bargain away for future consents.

Congress cannot shed its responsibility for this condition by saying it did not know what the State Department was putting into the general agreement. It is the duty of Congress under the Constitution to know what is in treaties with foreign nations and to see that the interests of the American people are protected in such treaties.

I will skip down to the middle of the page.

Senator MILLIKIN. Mr. Chairman, I would like to say to the witness, of course, I am not in a position to say how many individual Members of Congress knew, but the Congress had a right under well-known facts to believe that GATT was merely a temporary arrangement, leading into ITO, and that ITO would be submitted to the Congress for its consideration and for its approval. But recently ITO has been abandoned, so that now we are confronted with what was a transitional temporary arrangement, we are now confronted with a problem as to what we want to do with it from now on, and as to how many individual Members of Congress know about that I cannot say. But this committee has concerned itself on a number of occasions with ITO, and what you call "Little ITO", assuming that they were going to

continue to be connected until "Little ITO" was absorbed by "Big ITO".

This committee has in several of its reports stated that it was not passing on the question of "Little ITO," because it anticipated passing on both of them together whenever "Big ITO" was presented for action.

I thank you very much.

Mr. GARSTANG. I remember very clearly, Senator Millikin, the promises that were made to you in the early hearings on the ITO charter that it would not be put into effect, and that the United States would not be committed to that organization, without the approval of Congress.

Senator MILLIKIN. That is right.

Mr. GARSTANG. And we were very much surprised, as I assume others were, too, to find that in the General Agreement on Tariffs and Trade a great portion of the ITO was put into effect without the approval of Congress, and we suspect that a lot more of it is probably going into the general agreement at the present negotiations at Torquay.

Senator MILLIKIN. They say not, but there is information that we expect to get the rest of ITO, wangle that into effect, as a result of various conferences of foreign ministers, at various international levels, but that is just what I hear, and there may be nothing to it at all.

But the Secretary of State stated explicitly that they were not going to make any change in GATT, except to advance the timing of one phase of it; that is what he said.

Mr. GARSTANG. The power of the "Little ITO" ought not to be underestimated. It apparently has been set up as an international agency to administer and interpret the general agreement. Since many of the terms of the agreement are vague and indefinite, the power of such an organization is tremendous.

For example, the escape clause being relied upon so heavily permits a tariff concession to be withdrawn if serious injury is caused or threatened to domestic producers as a result of a tariff reduction and as a result of unforeseen developments.

We have construed this to mean that any serious injury to domestic producers is an unforeseen development. There is as yet no positive assurance that the contracting parties will abide by this interpretation, although it appears that they may.

However, if the contracting parties should desire to nullify for all practical purposes the value of the escape clause, they have it within their power to do so. All they would need to do is to interpret it to mean that a nation making substantial tariff reductions must have foreseen a corresponding injury to domestic producers and that such a foreseeable injury cannot be relieved under the escape clause.

Another example of the power which the contracting parties might exercise over the United States to compel us to adapt our foreign trade policies to its wishes appears in article XXIII of the general agreement. Under this article the contracting parties could apply penalties against the United States, even though we were complying with all the terms of the general agreement, by the simple expedient of finding that out policies tended to nullify the spirit of the agreement.

The foregoing examples of what has already been done under the broad authority of the Trade Agreements Act should be ample warning to Congress that the power ought not to be further extended without retaining adequate control over its exercise. As a minimum, Congress should reserve the right to know what is in the agreements before the United States is committed to them. Otherwise Congress is in the position of being responsible for the agreements—but of having delegated to the President not only the right to negotiate them but also the right to put them into effect without first informing Congress what they contain.

Senator BUTLER. Mr. Garstang, are you able to tell us if the policy followed by the United States is the same policy followed by the other contracting parties, or do these agreements and meetings held, which we consider binding—are they considered binding by the other contracting parties until their congress or corresponding body acts on them?

Mr. GARSTANG. I could not give you a positive answer to that, but it is my understanding that a great many of the other nations do submit them back to their legislative bodies similar to our Congress, before they become effective.

Senator MILLIKIN. We had testimony on that 2 years ago, and the record of that hearing shows quite a few countries that require the submission of such an agreement to their particular congresses or parliaments or whatever they call their legislative bodies. It sets that out in detail in the hearings of 2 years ago.

Mr. GARSTANG. I will skip the balance of my statement. It deals only with the attack which the Secretary of Agriculture made on section 8 of the amended bill.

It is an answer to the argument which the Secretary of Agriculture advanced. I would like the whole statement to go into the record.

The CHAIRMAN. Yes; it may be placed in the record if it is offered, and we will gladly incorporate it in the record.

Senator MILLIKIN. You approve the bill that came from the House?

Mr. GARSTANG. Yes; we think it is at least an improvement over just blanket power.

Senator MILLIKIN. Thank you.

The CHAIRMAN. You favor section 8, do you, that is the amendment 8?

Mr. GARSTANG. Yes.

The CHAIRMAN. I notice your brief deals with that question.

Mr. GARSTANG. Yes. We think probably a better way to deal with that same question would be an effective section 22 of the Agricultural Adjustment Act; but until we can get a more effective section 22, we would like to see section 8 enacted. Certainly it is better than just a broad extension of the power with no control.

The CHAIRMAN. Your full statement will go in the record.

(Mr. Garstang's prepared statement in full is as follows:)

STATEMENT OF M. R. GARSTANG, COUNSEL, NATIONAL MILK PRODUCERS FEDERATION

The National Milk Producers Federation is a Nation-wide organization of dairy cooperatives. Its offices are located at 1731 Eye Street NW., Washington, D. C. The federation has 88 direct member associations and some 600 or more submember groups. The members and submembers of the federation are cooperative associations engaged in the processing and marketing of milk and dairy products.

These cooperatives are in turn owned and operated by approximately 450,000 farm families. About 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.

Federal legislation which may affect the income and standard of living of American agricultural producers, particularly those engaged in dairy farming, directly concerns these farm families and the cooperatives through which they act together to process and market their milk.

The policy of the federation on national legislation is determined at annual membership meetings. It reflects the viewpoint of producers and processors of milk from coast to coast and from the northern to the southern boundary of the United States.

The federation has for several years been concerned about the long-range effect of the Government's foreign-trade program on American agriculture. In particular, the dairymen have been apprehensive and ill at ease since 1947, when trade agreements ceased to deal primarily with tariffs and broadened out into international trade practices and international organizations, such as those included in the General Agreement on Tariffs and Trade and in the proposed charter for an international trade organization.

We have been concerned over the readiness and willingness of Congress to let the power which it granted in the Trade Agreements Act be used to commit the United States to foreign treaties involving many issues other than tariffs. We have been concerned over the use of that power to commit the United States to membership in an international trade organization, without the specific approval of Congress.

We have seen that power used to commit the United States to a policy of admitting substandard agricultural imports produced under sanitary conditions less stringent than those required of domestic producers. We have seen the power used to bargain away the right of the Congress of the United States to put into effect in this country a farm program based on a two-price system. We have seen the power used to take away from Congress and vest in an international trade organization the right to determine whether the United States may control imports into our own country to permit surplus stocks owned by the Government to be first liquidated. We have seen the power used to take away from Congress the right to control effectively imports of foreign agricultural products which are interfering with our domestic price-support programs. We have seen the power used to take away from the Congress the power to put into effect in this country through Federal legislation the self-help agricultural program developed by the federation.

Is it any wonder, then, that the American dairy farmer is restless and uneasy over the prospect that the Congress may extend further, without adequate control, such broad and unlimited power?

The following quotation taken from the resolutions of the federation adopted last November at our annual meeting in Minneapolis, discloses the concern of the dairymen over current trends in foreign trade policies:

"The privilege of making trade agreements is vested by our Constitution in the Congress, because Congress in our three-point system of government is representative of the people. Responsibility for the trade agreements and for their effect upon American industry and agriculture rests squarely on the shoulders of Congress. We believe Congress should accept this responsibility and should retain control over the trade agreements program. We do not think it is necessary, in order to promote international trade, for Congress to turn over to the State Department without adequate reservation its power and duties with respect to trade agreements.

"We favor an amendment to the Trade Agreements Act to require all trade agreements executed thereunder to be submitted back to Congress for approval before becoming effective. Such a provision would present no great difficulty with respect to trade agreements which are sound. Those agreements which are of such doubtful value that they cannot withstand the scrutiny of Congress are better left unexecuted."

The duty of Congress to know what is in trade agreements before the United States is committed to them is much greater today than it was several years ago when the agreements dealt primarily with tariffs.

Members of Congress have at times been surprised to learn what is in the trade agreements to which in effect their names have been signed by the State Department under the broad powers of the Trade Agreements Act.

Some time ago a congressional committee was discussing a farm program calling for a two-price system under which agricultural commodities produced for domestic consumption would sell at a higher price than those produced for export to world markets. The Secretary of Agriculture reminded the committee that the use of such a program would be contrary to the trade agreements. Some of the members of the committee seemed surprised to learn that the right of Congress to put into effect in our own country a two-price farm program had been bargained away in the General Agreement on Tariffs and Trade.

The use of a two-price system would be considered dumping under article VI, paragraph No. 1, of the General Agreement. The use of production or manufacturing subsidies would run counter to paragraph No. 2 of article VI, and any form of income or price support which operated directly or indirectly to increase exports or reduce imports would be contrary to article XVI.

Import controls on fats and oils provide another example of the extent to which the hands of Congress have been tied under the too generous grant of power in the Trade Agreements Act. The Eighty-first Congress, recognizing the necessity for controlling such imports, extended title III of the Second War Powers Act to July 1, 1951, (Public Law 590), for the purpose of authorizing such controls.

However, in order to continue in effect after January 1, 1951, the import controls so authorized by Congress, it was necessary first to obtain the consent of the contracting parties to the General Agreement. This was because article XX of the General Agreement provides that import licenses essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government may not be used after January 1, 1951, without the consent of the contracting parties. Other restrictions on the use of import controls appear in article XI of the agreement.

The Congress of the United States now finds itself in the position where it can no longer protect the interests of our own citizens by restricting imports into our own country without first getting permission to do so from the "Little ITO."

The American dairy farmer is thus brought face to face with a condition which the federation has consistently warned would result from present foreign trade policies. When imports threaten the existence of vital price-support programs, the dairymen can no longer look to their Congressmen for protection. Congress has permitted its power to control imports to be bargained away in the General Agreement. Relief can now be granted only with the consent of the "Little ITO," an international trade organization in which the United States has only one vote.

Although permission was given us this time to continue import controls for one year, on a limited number of items, it does not follow that similar permission can be obtained in the future. Neither do we know how much has been bargained away for the present temporary right nor how much we will have to bargain away for future consents.

Congress cannot shed its responsibility for this condition by saying it did not know what the State Department was putting into the General Agreement. It is the duty of Congress under the Constitution to know what is in treaties with foreign nations and to see that the interests of the American people are protected in such treaties.

A charter for an International Trade Organization, to administer and interpret the General Agreement, was developed in connection with the General Agreement. After lengthy delay the charter was finally submitted to Congress, but it was not approved. Only two nations, and one of them conditionally, approved the charter.

Such an unenthusiastic reception for the charter, and the trade policies which it proposed, is convincing evidence of the lack of those sound, fundamental principles which would make nations eager and willing to go forward.

Nevertheless, the State Department has incorporated into the General Agreement many of the principles of the ITO Charter and has set up the same type of international organization in the contracting parties, sometimes referred to as the "Little ITO." We are concerned lest the balance of the ITO Charter, or so much of it as can be salvaged, be put into effect by incorporating it into the General Agreement in the negotiations at Torquay, England. Neither Congress nor the American people will know what is put into the agreement at Torquay until after the United States has been committed.

The power of the "Little ITO" ought not to be underestimated. It apparently has been set up as an international agency to administer and interpret the General Agreement. Since many of the terms of the agreement are vague and indefinite, the power of such an organization is tremendous.

For example, the escape clause being relied upon so heavily permits a tariff concession to be withdrawn if serious injury is caused or threatened to domestic producers as a result of a tariff reduction and as a result of unforeseen developments.

We have construed this to mean that any serious injury to domestic producers is an unforeseen development. There is as yet no positive assurance that the contracting parties will abide by this interpretation, although it appears that they may.

However, if the contracting parties should desire to nullify for all practical purposes the value of the escape clause, they have it within their power to do so. All they would need to do is to interpret it to mean that a nation making substantial tariff reductions must have foreseen a corresponding injury to domestic producers and that such a foreseeable injury cannot be relieved under the escape clause.

Another example of the power which the contracting parties might exercise over the United States to compel us to adapt our foreign-trade policies to its wishes appears in article XXIII of the General Agreement. Under this article the contracting parties could apply penalties against the United States, even though we were complying with all the terms of the General Agreement, by the simple expedient of finding that our policies tended to nullify the spirit of the agreement.

The foregoing examples of what has already been done under the broad authority of the Trade Agreements Act should be ample warning to Congress that the power ought not to be further extended without retaining adequate control over its exercise. As a minimum, Congress should reserve the right to know what is in the agreements before the United States is committed to them. Otherwise, Congress is in the position of being responsible for the agreements—but of having delegated to the President not only the right to negotiate them but also the right to put them into effect without first informing Congress what they contain.

We cannot conceive of a businessman operating his own business in such a manner, yet there are few businesses where the effects of an agreement are as far-reaching and important as those involved in the trade agreements.

We urge the Congress in the extension of this act to retain final control over the power to be granted.

Before closing this statement I would like to answer briefly the attack made by the Secretary of Agriculture on section 8 of the pending bill. Section 8 would apply only to the few agricultural commodities for which price supports are available to producers. These are the basic commodities covered by title I of the Agricultural Act of 1949, corn, cotton, peanuts, rice, tobacco, and wheat; the designated nonbasic commodities listed in title II, wool, mohair, tung nuts, honey, milk, butterfat, and the products of milk and butterfat; and such other commodities for which price supports may be made available under title III of that act.

Section 8 of H. R. 1612 would make tariff reductions and other concessions granted under trade agreements inapplicable to imports of such commodities whenever the selling price of the imports did not exceed price-support levels.

Price supports generally are available at levels ranging from 75 to 90 percent of parity prices.

Parity merely denotes equality of income and purchasing power with other groups. We wish most sincerely that it was not necessary to protect the parity prices of farm products. But, unless they are protected, better organized forces will, as they have in the past, beat down the farmer's return until his purchasing power is destroyed and the whole Nation is again engulfed in a great depression.

Even now, in a period when price supports are relatively less important, there still persists a determined effort on the part of other groups to stretch their own income by paying less for the products which the farmer has to sell. But those who are demanding that the farmers' prices be reduced do not offer to reduce their own income by a proportionate amount, or to reduce the prices which farmers must pay for the things they buy, so that a reasonable degree of equality may still be preserved.

But getting back to section 8, price-support levels are less than parity—in many cases substantially less. Section 8 would permit imports to come in and to force agricultural prices down below the fair and equitable parity level; but it would halt the decline at the level at which the Government found it necessary to step in and support prices. However, even this meager protection would not be complete, because imports could still come in, by paying the full 1930 tariff rate, and break domestic prices below support levels. That would simply mean that the imports would take the domestic market and the Government would have to buy an equivalent amount of domestic production at the support level.

The Secretary of Agriculture would deny us even this small measure of protection, arguing that other nations would demand the same right and that disastrous consequences would result to our agricultural export trade.

To this we simply say that other nations ought to have the same protection; and that this country should not try to force American products into foreign countries at levels so low as to destroy the price-support programs of those countries. Exports made under such conditions would not result in long-term benefits to American farmers.

We do not believe that a rule similar to that set up in section 8, if applied by all nations alike, would have any adverse effect whatever on American agricultural exports. We challenge the opponents of section 8 to put into the record a statement of American agricultural exports, other than on a give-away basis, which are being sold in foreign countries at price levels which are undermining the price support programs of those nations.

The enactment of section 8 would, of course, as it should, justify other nations in taking similar action. That action would not harm our agricultural exports. The enactment of section 8 would not, as its opponents argue, justify other nations in taking such additional drastic and discriminatory measures against United States trade as to have the disastrous consequences pictured. Such an argument is too unrealistic to require further answer. If our foreign trade program has reached any such a state as that, then serious consideration should be given to terminating it entirely.

The CHAIRMAN. Are there any questions—further questions—of Mr. Garstang? If not, Mr. Garstang, we thank you, sir, for your appearance here, for your statement.

Has Mr. Coe come into the room—Mr. H. L. Coe?

(No response.)

The CHAIRMAN. Mr. Jones.

STATEMENT OF L. DAN JONES, ATTORNEY, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. JONES. Mr. Chairman, my name is L. Dan Jones, attorney for the Independent Petroleum Association of America, which is a national organization consisting primarily of producers of crude petroleum and natural gas.

Our executive vice president, Mr. H. B. Fell, had intended to appear here and was scheduled last week. He had to leave over the week end and could not be here today. I would like, if it is permissible, to file his statement in the record and make a few summarizing remarks.

The CHAIRMAN. You may do so. You may file his statement and you may have a seat and the committee will be glad to hear from you.

(The statement of Mr. Fell, referred to above, is as follows:)

STATEMENT OF H. B. FELL, EXECUTIVE VICE PRESIDENT, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

My name is H. B. Fell. I am executive vice president of the Independent Petroleum Association of America which is a national organization representing independent producers of crude oil throughout every oil-producing area of the Nation. This statement is made for the purpose of informing the committee of certain effects on our economy, our national security, and the domestic petroleum industry resulting from agreements made under the authority of the Trade Agreements Act and to urge that the act be amended in certain respects.

As applied to petroleum, agreements reached under the act have served to emphasize the use of foreign oil and to increase our dependency on foreign supplies. This has been damaging to the domestic oil industry nad has retarded its contributions to our national security. At this critical period in our history, when oil is looked upon as a vital munition which must be available in sufficient quantities from reliable sources, we feel it is of utmost importance to examine with caution our foreign trade policy.

Today we are importing an average of 1,000,000 barrels of oil a day. This is compared to approximately 850,000 barrels daily in 1950, 440,000 barrels a day in 1947, and 160,000 barrels in 1939. To those unfamiliar with the implications,

it may appear that we are fortunate in being able to obtain increased foreign supplies. Close consideration of this trend, however, indicates that we are dangerously following a tendency to increase our reliance on uncertain sources of foreign production. Representatives of domestic producers have forewarned of this eventuality on previous occasions. Our association has long contended that we were rapidly switching our dependency for petroleum supplies from domestic to foreign fields under existing trade agreements.

APPLICATION OF TRADE AGREEMENTS TO PETROLEUM

The reciprocal trade program was first applied to petroleum importation 12 years ago. Before further defining its effects on the domestic petroleum industry, I would like first to review the application of trade agreements to petroleum.

In 1932, Congress recognized the damage to the domestic petroleum economy from uncontrolled imports when it passed an excise tax on petroleum imports. Specifically, the tax established amounted to 21 cents a barrel on crude oil, 2½ cents a gallon on gasoline, ½ cent a gallon on fuel oil, and 4 cents a gallon on lubricating oil. This congressional action encouraged new and greater development by an industry which was destined in a few years to furnish 85 percent of all petroleum products used by the United States and her allies in World War II.

Congress passed the Trade Agreements Act in 1934, but it was not until 1939 that the first agreement on oil was consummated. This was the Venezuelan agreement which reduced import duties on petroleum and its products by 50 percent on all imports up to 5 percent of refinery runs in the preceding year. In the agreement with Mexico in 1943, the quota restriction of 5 percent established in the Venezuelan agreement was abolished, and taxes on kerosene, liquid asphalt, and road oil were reduced. In the fall of 1947, the State Department made a multilateral agreement with some 20 nations at Geneva which, among other things, provided a reduction in the gasoline import tax from 2½ to 1¼ cents a gallon. Under the "favored nation" clause, these reduced duties apply to all oil imports.

EFFECTS OF TRADE AGREEMENT PROGRAM ON OIL

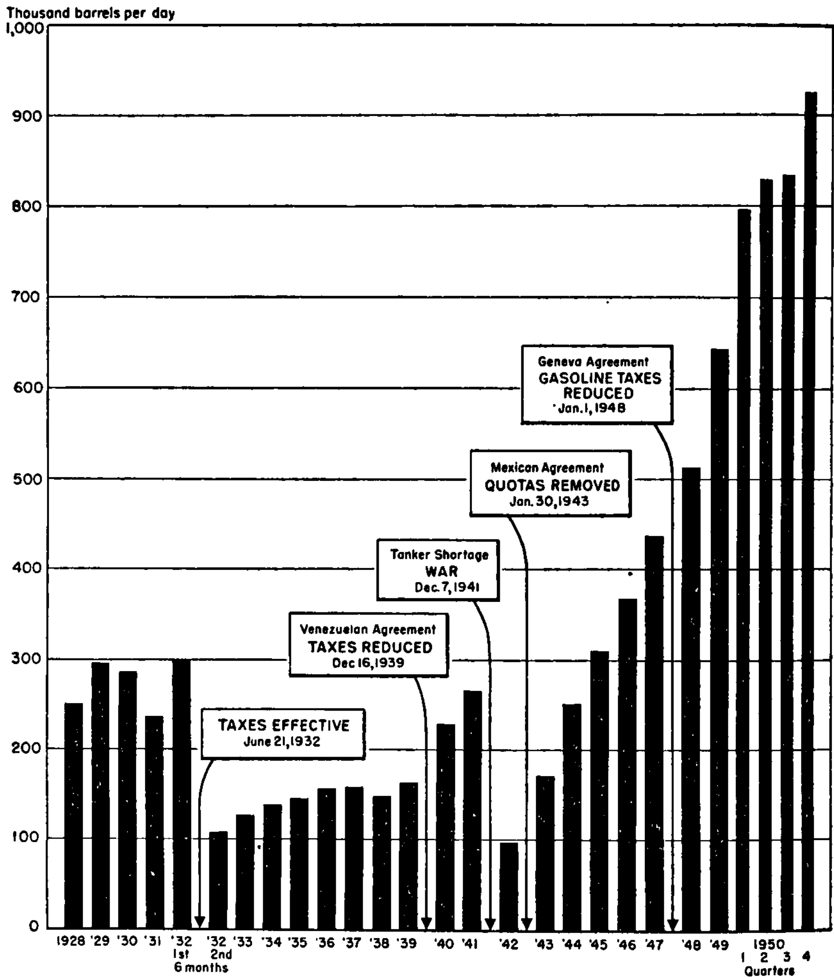
National policies under the trade agreement program have encouraged and stimulated imports of crude oil and refined products. Today, as we stand on the brink of world war III, it is particularly important to acknowledge the results of these policies. The facts speak for themselves. They show that a dangerous trend toward dependency on foreign oil has been established; that the monopolistic practices of the few large companies dominating the world oil industry outside this country have been encouraged; and that real injury has been suffered by the domestic oil-producing industry upon which national safety is so dependent.

Under the trade agreement program, the United States has changed from a net exporter of petroleum to a substantial net importer. Prior to this program, the congressional policy was one of encouragement to the domestic oil industry. It was for this purpose that the excise taxes on petroleum imports were imposed in 1932. During the following 7-year period 1933–39 and prior to the first trade agreement affecting oil, imports of crude petroleum and refined products averaged 147,000 barrels daily. Exports averaged 406,000 barrels per day. Our net exports, therefore, amounted to 260,000 barrels daily, indicating that domestic production was being maintained at a rate of 260,000 barrels daily above domestic oil demands. This export balance has disappeared as exports declined and imports increased steadily.

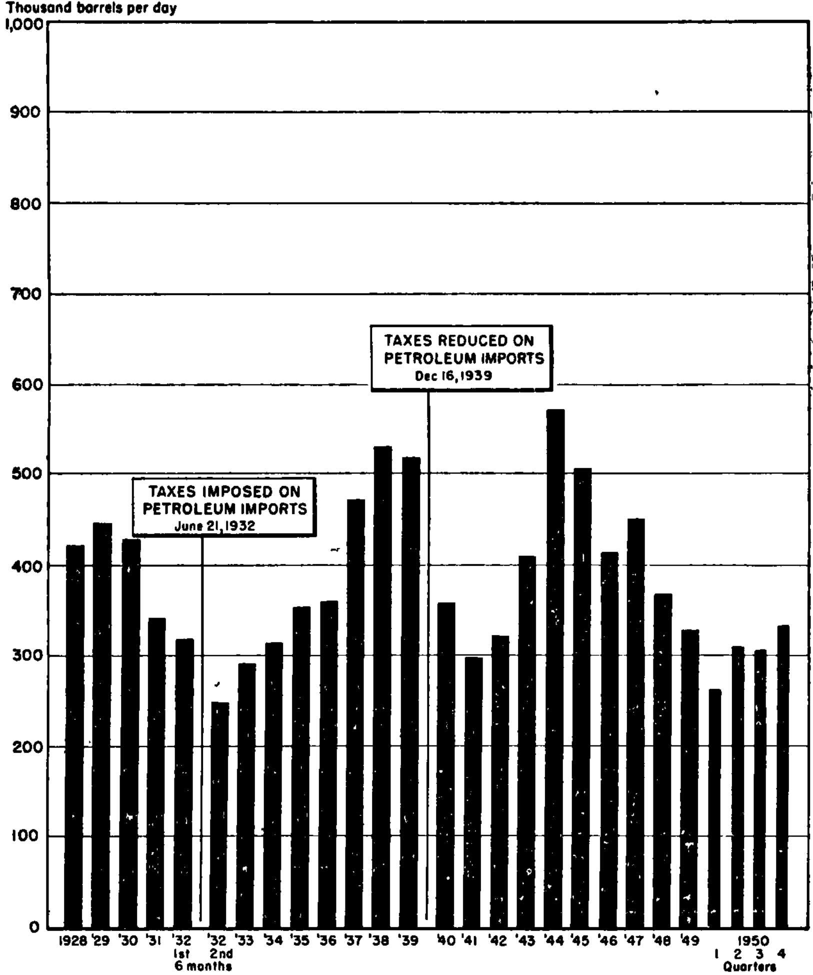
Today we are importing 1,000,000 barrels daily while current exports are estimated at 256,000 barrels per day by the United States Bureau of Mines. From a net exporter of 260,000 barrels daily for the period 1933–39, our petroleum trade balance has been reversed to a net import position of approximately 750,000 barrels daily. This means a ceiling on domestic output three-quarters of a million barrels daily below current domestic requirements.

There is proper cause for concern in this trend toward dependency on foreign sources of oil supply. The trend is even more striking in the case of residual or heavy fuel oils. The precipitous increase in imports of this product—used primarily by industrial plants, ships, and railroads—has placed over 40 percent of this consumption along the Atlantic seaboard in the uncertain position of fuel reliance upon foreign sources. There is serious question as to whether such a development is in the public interest in time of national emergency.

The following two graphic charts reflect the history of oil imports and exports.


HISTORY OF U.S. PETROLEUM IMPORTS, 1928-1950
showing effect of excise taxes and trade agreements
Thousand barrels per day
1,000
900
800
700
600
500
400
300
200
100
0
Geneva Agreement
GASOLINE TAXES
REDUCED
Jan. 1, 1948
Mexican Agreement
QUOTAS REMOVED
Jan. 30, 1943
Tanker Shortage
WAR
Dec. 7, 1941
Venezuelan Agreement
TAXES REDUCED
Dec 16, 1939
TAXES EFFECTIVE
June 21, 1932
1928 '29 '30 '31 '32 '32 '33 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44 '45 '46 '47 '48 '49 1950
1st 2nd
6 months
1 2 3 4
Quarters
SOURCE: U S Bureau of Mines, fourth quarter 1950 partly estimated
January 1951
Prepared by
the Independent Petroleum Association of America

HISTORY OF U.S. PETROLEUM EXPORTS, 1928-1950



SOURCE: U.S. Bureau of Mines, fourth quarter 1950 partly estimated
January 1951

Prepared by
the Independent Petroleum Association of America.

It must be recognized that the petroleum industry outside the United States is dominated by seven companies. Those companies are as follows: Standard Oil Co. (New Jersey), Socony-Vacuum Oil Co., Standard Oil Co. of California, Gulf Oil Corp., the Texas Co., Dutch-Shell group and the Anglo-Iranian Oil Co. Excluding Russia, these seven companies own in excess of 90 percent of all known foreign reserves. The first five companies listed above are American. The Dutch-Shell group is controlled by British and Dutch interests. The Anglo-Iranian Oil Co. is owned principally by the British Government and operates in Iran. With the exception of Anglo-Iranian Oil Co., all operate in the United States.

These seven companies operate joint enterprises in various combinations in their foreign crude-oil activities. For example, the Standard Oil Co. (New Jersey) participates with Socony-Vacuum, Anglo-Iranian, and Dutch-Shell in Iraq; with Gulf and Dutch-Shell in Venezuela; with Socony-Vacuum, Texas Co., and Standard of California in Arabia; and with Socony-Vacuum in the East Indies. This type of interrelated activity, common to foreign operations, is not consistent with competitive conditions in the United States. As these companies are encouraged to increase their imports of oil into this country, domestic producers are displaced and competition is lessened. This is evidenced by the fact that since 1941 these few companies have increased their share of United States production of crude oil by 5 percent.

The greatly increased oil imports under the trade-agreement program have resulted in real injury to the domestic oil-producing industry. As shown above, the United States has changed from a net exporter of 260,000 barrels daily to a net importer of about 750,000 barrels per day. This shift in foreign-trade balance represents a loss of market for domestic oil of roughly 1,000,000 barrels per day. A loss of market inevitably affects the extent of oil exploration and development effort in this country. This is true because the largest part of every dollar from the sale of crude oil is reinvested in the continuing search for new oil reserves and the drilling in these newly found areas. During all of 1949 and the early part of 1950, oil production in the United States was severely curtailed by as much as 1,000,000 barrels daily. In 1949 the capital from the sale of each barrel of oil in the United States was used to find 1.77 barrels of new reserves. During that year, domestic production was curtailed by 174,420,000 barrels under 1948. On this basis, by the 1.77 to 1 ratio of new reserves to production, the curtailment in that one year denied us of approximately 308,000,000 barrels of new reserves.

This unsound and destructive situation was recognized in January 1950 in a formal report of the National Petroleum Council, the industry group advisory to the Federal Government and representing all segments of the petroleum industry. That report concluded as follows:

"1. The sharp increase in imports of crude oil and its products coupled with the continuing decline in exports of crude oil and its products has hurt the domestic oil industry.

"2. If imports continue to increase without regard to the principle of only supplementing the domestic production of crude and products—they will seriously damage the oil industry and thus adversely affect the national economy and the national security."

More important than the injury to the domestic oil industry was the serious damage to the economy of the oil-producing States. For example, the tax revenues from oil in Texas were so impaired as to create a financial crisis resulting in the convening of the State legislature in special session.

This experience as to the harmful effect of excessive imports may be repeated on a more far-reaching scale as imports continue to increase and to take over a larger share of the petroleum markets of the United States.

Statistical tables covering imports, exports, and domestic activity are at end of this statement.

APPLICATION OF ESCAPE CLAUSE MEANINGLESS AS TO PETROLEUM

Domestic oil producers have had repeated experience in seeking relief from injuries suffered as a result of trade-agreement concessions pertaining to petroleum. This experience has demonstrated that the administrative procedure established to effectuate the escape clause is meaningless and ineffective.

Under the Trade Agreements Act each time that petroleum has been the subject of duty concessions, the State Department has answered the expressed fears of the domestic producers by contending that the trade agreements embodied escape provisions which would be utilized to give relief if injuries should result to the domestic industry. In the Venezuelan agreement of 1939, the excise taxes on

crude and certain products were reduced 50 percent, but the State Department gave assurances that there was no need for alarm because of relief provisions and the quota restriction embodied in the agreement. This assurance proved meaningless. In the 1943 agreement with Mexico the quota restriction was removed entirely. At that time, the State Department again made assurances to the domestic industry that they were fully protected by the "escape clause" which was made a part of the Mexican agreement. Repeated appeals for relief under the Mexican agreement were ignored entirely. More recently, at the time the Geneva Multilateral Agreement was being considered the domestic industry again was assured that the "escape clause" would provide adequate protection.

The administration of the escape clause has been delegated by the President to the Tariff Commission where it now rests. The record of the Tariff Commission however offers no more encouragement than did the earlier arbitrary treatment by the State Department. Applications for relief are dismissed arbitrarily without investigation or consultation. The procedure followed by the Commission is completely contrary to our traditional and customary judicial and administrative procedures. The Commission's procedure is void of the very essence of our judicial and administrative procedures namely, a day in court. The Commission is not required under the procedure it has established to hold hearings before dismissing a complaint or to issue findings of fact. It is the type of governmental action that destroys the faith of the people in our Government. It should be corrected.

Two years ago the Independent Petroleum Association of America filed an application for an investigation of injury then being suffered by the domestic industry resulting from rapidly increasing imports. The application was filed in February of 1949 and was dismissed without hearing on May 3, 1949. This summary action was taken despite the fact that excessive imports at that time were causing serious injury to the domestic industry and constituted the most important problem then confronting the industry. Domestic production was being curtailed in the face of increasing imports, causing disruptions to the domestic industry including injury to American labor and extending into our general economy. Even though this was widely recognized as a critical problem the Commission arbitrarily refused to grant an investigation on which it could have fairly considered the issues. No consultation was had with the applicant and insofar as we know with any other elements of the industry in an attempt to obtain the facts and evidence that could lead to a fair decision in the matter.

The application was dismissed with the statement that there was a "current scaling down of both production and imports." This conclusion was without foundation and was untrue as to imports as is shown by the preceding chart showing an uninterrupted increase in imports. In addition the dismissal stated that "the Commission will continue to observe closely further developments in the industry." This statement likewise was void of meaning and sincerity as imports have continued to take a larger and larger share of the domestic market with no evidence of any attention or effort on the part of the Commission as to this application for relief.

THE NEED FOR AMENDMENT OF ACT

The facts above stated reflect the experience of the domestic petroleum industry under the trade-agreements program and describe the conditions existing within the industry upon our entering into the period of the present national emergency.

It may be that this emergency, with its consequent all-out effort to stimulate increased use of our efforts for defense work, will serve to temporarily obscure the evidence of harm and suffering resulting from trade-agreement-program activities. It will not, however, cure the defects inherent in its administration.

In order to cure these defects the law should be amended. The years of experience since the law was first passed have demonstrated that those responsible for its administration cannot be expected to take corrective action.

I cannot believe this law to be so sacred as to require no legislative supervision. It has failed to accomplish many of the valuable purposes claimed by its sponsors. Much has been claimed for it. Little has been realized.

Being first proposed in a period of relative peace, this measure was acclaimed as a method of promoting and maintaining peace throughout the civilized world. Many agreements have been negotiated. We have had years of experience by which we may judge their accomplishments. Coincident with this trade-agreement program the world has experienced its greatest era of unrest, armament and world conflict. No one can say this world destruction is attributable to the trade-

agreement program. With certainty we may say this program has not prevented such destruction.

Based on the ideal of promoting a means of easy exchange of the surplus supplies of the countries party to agreements, the program has operated so that surpluses have been directed against surpluses, causing conflict, and weakening instead of building living standards.

Designed to promote better distribution of essential products at cheaper prices, it has failed here. Today extreme privation exists in many countries friendly to us. Product prices here at home are at an all-time high. Rationing of food and other essentials during peace exist in many countries. The word austerity is now known in too many places. In some, austerity is "the man who came to dinner."

Through all of this period under the program there has been evidence of a lack of sincerity on the part of those administering this act. Somewhere, sometime sincere administrative agencies must have felt that this law could be improved. Need for some additional authority or direction must have been evident. Yet, at no time or place have the agencies responsible asked for amendment giving them more specific direction or clarifying their authority. All they have asked is more life by further extension. They repel all efforts by others to advise amendment.

It is not to be expected that a law such as the Trade Agreements Act, involving an experiment in a completely new approach to a problem of broad scope, could be at the outset perfectly designed to meet all future situations. Since 1934 our Nation and the world have undergone radical eruptions and many far-reaching events that could not have been anticipated. It is only normal and natural that changes and adjustments in the original law would be necessary. Yet repeatedly the State Department has come before Congress urging that the act be extended without amendment.

Despite the widespread injury suffered by domestic industry and the most serious concern of large segments of our people as to the effects of the trade agreements program the State Department has been unrealistically adamant in its position of no change.

THE HOUSE AMENDMENTS

We strongly recommend the adoption of the peril-point and escape-clause amendments. The purpose and objective of these amendments constitute a most constructive step in the right direction.

These amendments would place the tariff adjustment procedure on a more sound basis. In lieu of the secretive and closed-door proceedings that have characterized the trade-agreements program to date these amendments would delegate to the United States Tariff Commission the function of determining proper tariff levels but only after (1) full and open public hearings and (2) the publication of findings of fact on which the determination is based.

In view of our experience under the trade-agreements program, which we understand is similar to that of many other groups, we feel it is essential that the escape-clause procedure established by the executive branch be revised and clarified by legislative directive so as to provide specific legislative standards and to more clearly set forth the conditions under which relief shall be granted.

The requirements for a public hearing and findings of fact are of utmost importance. They are basic to any proper procedure.

The escape-clause amendment should also recognize and provide for the establishment, when necessary, of absolute or quantitative quotas. It is my understanding that the House amendment accomplishes this. The amendment should show as clear as possible that Congress authorizes and directs the imposition of quantitative quotas where an investigation and findings of fact indicate that the domestic industry could not be protected otherwise. In some cases quotas will be the only means of a proper solution.

The escape-clause amendment as passed by the House provides that the Tariff Commission's findings shall be submitted to the President as a recommendation. There is no specific requirement spelled out in the amendment that the President shall follow the recommendation. It is presumed that the President would follow the Commission's recommendation. In order to assure this, it is recommended that the amendment be revised so as to mandatorily require the President to take such action as is necessary to effectuate the Commission's recommendation.

PERIOD OF EXTENSION

The House bill provides for a 3-year extension. Based upon our experience we recommended to the Ways and Means Committee that the act not be extended. Not only have the originally stated objectives of the program not been realized but Secretary Acheson stated that it is not contemplated to utilize the authority under H. R. 1612 to negotiate new trade agreements during the next 3 years. He stated that the next 3 years will be a period of consolidation and adjustment and that the parties to existing agreements will want to have a period of time in which to test and observe the operation of existing agreements.

Judging the over-all program from its effects on oil shows that its continuation would be disastrous. In the case of oil the results have been to damage the domestic industry, weaken the economy of more than half of the States and jeopardize the Nation's security by forcing our country to become dependent upon distant and uncertain sources of supply for a vital munition of war.

If, however, the act is to be extended, it is urged that the period of extension be limited to 1 year. The present uncertain world situation is likely to exist for some time. Rapidly changing conditions may require some changes in our course of action. This suggests the necessity for an opportunity to take a relook at this problem at an early date. In addition, the adoption of the peril-point and escape-clause amendments would initiate new procedures in the program which should be reviewed by Congress after a short-term trial period so as to determine if they have served the objectives for which designed and have been administered as contemplated.

United States imports and exports of crude petroleum and its products, 1928–50

[All figures in thousands of barrels daily]

	Imports			Exports			Excess total exports over total imports
	Crude oil	Refined products	Total	Crude oil	Refined products	Total	
1928	218	32	250	52	370	422	127
1929	216	82	298	72	375	447	149
1930	170	119	289	65	364	429	140
1931	129	107	236	70	271	341	105
1932	122	82	204	75	207	282	78
First 6 months 1932	177	123	300	78	240	318	18
Second 6 months 1932	68	40	108	72	175	247	139
1933	87	37	124	100	192	292	168
1934	97	41	138	113	201	314	176
1935	88	56	144	141	212	353	209
1936	88	68	156	137	223	360	204
1937	75	82	157	184	289	473	316
1938	72	76	148	212	319	531	383
1939	91	71	162	197	320	517	355
1940	117	112	229	141	216	357	128
1941	139	128	267	91	207	298	31
1942	34	65	99	93	228	321	222
1943	38	136	174	113	298	411	237
1944	122	130	252	94	477	571	319
1945	203	108	311	90	414	504	193
1946	236	134	370	112	302	414	44
1947	267	170	437	126	325	451	14
1948	353	161	514	109	259	368	(146)
1949	424	217	641	91	237	328	(313)
1950	486	362	848	97	207	304	(544)
1950—First quarter	456	342	798	72	192	264	(534)
Second quarter	483	348	831	101	208	309	(522)
Third quarter	504	331	835	98	208	306	(529)
Fourth quarter	501	428	929	117	217	334	(595)

Source: U. S. Bureau of Mines; fourth quarter 1950 partly estimated.

Petroleum imports into United States in relation to domestic production of crude petroleum and refinery runs to stills

	United States production crude petroleum (1,000 barrels daily)	United States refinery runs to stills (1,000 barrels daily)	United States imports of crude oil and products		
			(1,000 barrels daily)	Rates of imports to crude production	Rates of imports to refinery runs
				Percent	*Percent*
1935	2,730	2,646	144	5.3	5.4
1936	3,005	2,920	156	5 2	5.3
1937	3,505	3,242	157	4.5	4.8
1938	3,327	3,192	148	4.4	4.6
1939	3,466	3,392	162	4.7	4.8
Average 1935-39	3,207	3,078	153	4.8	5.0
1940	3,697	3,536	229	6 2	6.5
1941	3,842	3,861	267	6.9	6.9
1942	3,799	3,655	99	2.6	2.7
1943	4,125	3,917	174	4.2	4.4
1944	4,584	4,551	252	5.5	5.5
1945	4,695	4,711	311	6.6	6.6
1946	4,749	4,740	370	7.8	7.8
1947	5,088	5,075	437	8 6	8.6
1948	5,520	5,548	514	9 3	9.3
1949	5,042	5,330	641	12.7	12.0
1950	5,405	5,729	848	15 7	14.8

Source: U. S. Bureau of Mines; figures for 1950 are partially estimated.

Imports of crude petroleum and petroleum products

[All figures in thousands of barrels daily]

	Year 1948	Quarterly averages								Monthly averages	
		1949				1950				November 1950	December 1950
		1st	2d	3d	4th	1st	2d	3d	4th		
CRUDE PETROLEUM											
Middle East:											
Iraq	2	3	----	1	----	----	----	----	----	----	----
Iran	9	15	----	----	----	3	----	----	----	----	----
Kuwait	20	62	60	54	77	60	77	73	77	76	92
Saudi Arabia	29	60	36	19	21	38	37	35	42	21	57
Total Middle East	60	140	96	74	98	101	114	108	119	97	149
Venezuela	257	251	270	278	314	309	284	291	285	273	262
Colombia	24	29	29	31	36	46	44	41	41	44	43
Mexico	11	14	25	22	17	24	18	28	32	28	36
Total crude	352	434	420	405	465	480	460	468	477	442	490
REFINED PRODUCTS											
Residual fuel oil:											
Netherlands West Indies	139	161	176	186	241	250	252	226	299	312	321
From others	9	1	----	18	39	64	67	62	83	81	88
Total residual	148	162	176	204	280	314	319	288	382	393	409
Distillate fuel oil	6	1	8	7	4	5	4	13	9	14	8
Motor gasoline	1	----	----	----	----	----	----	----	1	----	----
Other products	5	2	3	4	20	22	25	29	29	24	26
Total products	160	165	187	215	304	341	348	330	421	431	443
Total imports	512	599	607	620	769	821	808	798	898	873	933
TOTAL IMPORTS											
By country:											
Venezuela	258	251	271	294	341	367	344	342	357	347	342
Netherlands West Indies	147	164	182	192	247	257	258	237	309	319	329
Middle East	66	140	96	75	98	101	115	121	127	113	153
Colombia	24	29	29	31	38	46	44	41	41	44	43
Mexico	15	14	25	23	36	41	42	50	53	46	56
All other	2	1	4	5	9	9	5	7	11	4	10
Total	512	599	607	620	769	821	808	798	898	873	933
By tax class:											
Dutiable [1]	440	534	531	544	712	757	741	728	835	807	883
Free for vessel	72	65	76	76	57	64	67	70	63	66	50

[1] Includes free for Government use.

All figures from U. S. Department of Commerce.
Breakdown by country not shown for all refined products because of small volume.

Mr. JONES. Petroleum has been treated under the trade-agreements program on three occasions—first, under the Venezuelan agreement in 1939, then the Mexico agreement of 1943, and finally in GATT in 1947.

As a result of those agreements, the duties that were established by Congress in 1932 on crude oil and all products have been cut across the board 50 percent. That is where we stand today.

Senator MILLIKIN. What is the basic agreement now regulating the rates on petroleum?

Mr. JONES. The basic agreement, Senator Millikin, on crude oil and residual fuel oil, which are the two items that make up practically all of the imports, is the Venezuelan agreement. Gasoline and some other products were covered in the GATT, but for all practical pur-

poses the Venezuelan agreement, now that the Mexican agreement has been canceled, is the covering agreement.

Senator MILLIKIN. With which country did we negotiate the gasoline concessions as the principal supplier?

Mr. JONES. That was in GATT.

Senator MILLIKIN. The Mexican agreement having been denounced on both sides, it no longer has any effect?

Mr. JONES. That is correct. It was canceled out, and as a result, the Venezuelan agreement, which was established prior to the Mexico agreement, came into play.

Senator MILLIKIN. What is the rate under the Venezuelan agreement?

Mr. JONES. The rate under the Venezuelan agreement is a tariff quota really. It provides that 5 percent of the so-called domestic runs to refineries in this country for the preceding year may be permitted to come in at the reduced rate, which is 10½ cents. All over that come in at the old rate established by Congress in 1932, which is 21 cents a barrel. Those rates apply to both crude and residual fuel oil.

Senator MILLIKIN. Is there any quota on gasoline?

Mr. JONES. No, sir.

Senator MILLIKIN. Or any of those other derivatives of petroleum?

Mr. JONES. The quota is an over-all quota, and all commodities may come in, but for practical purposes we can think only of crude oil and residual fuel oil, since they make up such a high percentage of total imports.

Senator MILLIKIN. Thank you.

Mr. JONES. As a result of the treatment under these three agreements, it has been our feeling for a long time that they have served to encourage and emphasize the use of foreign oil.

Senator MILLIKIN. May I ask you, please, which is the principal exporter of petroleum and residual products into this country at the present time?

Mr. JONES. Approximately two-thirds of all imports are from Venezuela. Now, a part of that comes via the Netherlands West Indies, but it originates in Venezuela.

Senator MILLIKIN. Thank you.

Mr. JONES. As I say, it has been our feeling for a long time, as a result of this treatment under the trade-agreements program, that the over-all program has served to encourage and emphasize the use of foreign oil and to lead us into the position of a greater dependency upon foreign oil.

Senator MILLIKIN. If our foreign imports into this country were cut off, is our domestic industry now in shape to supply all the petroleum and petroleum products needed for our normal and wartime purposes?

Mr. JONES. Well, of course, Senator, when you say wartime needs it is something that we don't know exactly what we are dealing with. It is at present a close situation and, as I say, it has been our feeling that our action through the years in the past has tended to put a damper upon the domestic industry and has been a process of encouraging us to use foreign oil and to encourage the development of foreign oil.

Senator MILLIKIN. How much oil are we using domestically?

Mr. JONES. Roughly per day?

Senator MILLIKIN. Make it per year.

Mr. JONES. I have the daily figures best in mind. It is roughly 7,000,000 barrels a day.

Senator MILLIKIN. How much oil are we importing per day?

Mr. JONES. It is averaging now something in excess of 900,000—in other words, close to 1,000,000 barrels per day.

Senator MILLIKIN. Then as of the present time our domestic industry is 900,000 or something like that barrels per day short of meeting our domestic needs; is that correct?

Mr. JONES. When you say short, that is production.

Senator MILLIKIN. Not capacity, but production.

Mr. JONES. Production is held down to that.

Senator MILLIKIN. The difference is represented by shut-in oils; is that right?

Mr. JONES. That is right.

Senator BUTLER. With the cancellation of the Mexican agreement, was there any increase in domestic production?

Mr. JONES. No, sir. I don't think it had any effect upon the import-export situation at all, Senator. Imports have been increasing for the last several years very rapidly, and that agreement, even though it resulted in an increase in the tariff by a small bit, I don't think you can say it had any particular effect on it.

Senator BUTLER. Except for control of production, I think by States, we could produce all that we need?

Mr. JONES. As I say, our producing capacity now is probably pretty close to what we would probably be needing in our war effort and without being precise, I think it is a close situation.

The CHAIRMAN. We don't export any oil, do we?

Mr. JONES. Sir, we do export about 250,000 barrels a day. I was just going to make this point.

The CHAIRMAN. To where do we send oil?

Mr. JONES. Senator George, through the years the European countries have imported from the United States into their countries refined products that they were not able to make or didn't have available in sufficient quantities, particularly lube oils and specialty oil products. They make up most all our exports; whereas, imports are crude oil and residual fuel oil.

The CHAIRMAN. We export about 250,000 barrels?

Mr. JONES. Yes, and import roughly a million.

The CHAIRMAN. Import roughly a million and export roughly a quarter of a million?

Mr. JONES. Yes, sir, the result being we are a net importer by roughly 750,000 barrels a day. I wanted to make this contrast; that, whereas, prewar, during 1933–39 period, we were a net exporter of about 250,000 barrels a day, we have had a considerable adverse shift in the trade balance since the prewar—pre-World War II days.

Senator MILLIKIN. We are trying to educate Western Europe to use Arabian oils, are we not'?

Mr. JONES. They are using more and more of it; yes, sir.

Senator MILLIKIN. The general grand strategy of world production contemplates Western Europe being supplied out of Arabian fields; is that not correct? You are leaning toward that objective?

Mr. JONES. I think that is true. That was the discussion under the ECA programs.

Senator MILLIKIN. So that if the Arabian fields were bombed out, we would at once have an increased burden of supplying oil and oil products to Western Europe, would we not?

Mr. JONES. Perhaps we would. Prior to the development of the Middle East fields and their coming into the picture in Europe, Europe was dependent primarily on the United States and Venezuela. As the Middle East has taken over European markets to a greater and greater degree, it has freed Venezuelan oil to a greater and greater degree.

Senator MILLIKIN. Assuming the bombing out of Arabian oils and assuming the snorkel submarine seriously interfered with oil to this country from other sources, we would at once have the job of enormously increasing our own oil capacity, would we not?

Mr. JONES. We would be confronted with relying solely upon our own domestic industry, yes, sir.

Senator MILLIKIN. That would require the restoration of wells that are shut in; isn't that correct?

Mr. JONES. I beg your pardon?

Senator MILLIKIN. That would require the restoration into operation of wells that are now shut in?

Mr. JONES. It would require us to produce everything we possibly could, perhaps.

Senator MILLIKIN. Yes; and that would require us to have an expansion in our exploratory programs, would it not?

Mr. JONES. It certainly would.

Senator MILLIKIN. That would throw a very hard burden on our whole economic structure, considering the use of steel and everything else, manpower, that is involved.

Mr. JONES. And especially the steel that you mention, yes, sir.

Senator MILLIKIN. We are not now under our present production self-sufficient as far as oil is concerned; is that not correct?

Mr. JONES. At the rate we are now producing, Senator? You are talking about production and not capacity?

Senator MILLIKIN. Under our present production.

Mr. JONES. That is correct, sir, we are not.

Senator MILLIKIN. You have already said if our foreign sources of oil failed us, we would have to bring back into production the wells that are now shut in and we would have to embark upon a vast exploratory program to develop new reserves.

Mr. JONES. That is correct.

Senator MILLIKIN. We would have to do that in a time of emergency when labor and all the products that went into oil wells would be in very severe shortage.

Mr. JONES. That is correct. As you know, Senator, the development of oil fields is a very slow process. It takes, 3, 4, or 5 years ordinarily to find and develop new oil reserves.

Senator MILLIKIN. I know that out of personal experience. I wish these planners down here knew that. They think you can turn on or off the supply of oil like you turn on and off electricity in this room.

Mr. JONES. I would like to draw your attention to the chart in Mr. Fell's statement if you have it before you.

The CHAIRMAN. Yes, sir, we have it here.

Mr. JONES. It follows page 3. It shows graphically the picture of petroleum imports.

The CHAIRMAN. Yes, sir.

Mr. JONES. And also the following page, which shows the same graphic picture with respect to exports.

The CHAIRMAN. Yes, sir.

Mr. JONES. You will note in respect to the first chart that immediately following World War II, the 1945–46 period, there has been a most rapid and sharp increase in the imports of oil; whereas, on the second chart, covering exports since the end of World War II, our exports have actually declined. And that has brought about——

Senator MILLIKIN. What is the difference between the landed cost of Venezuelan oil or Arabian oil and our domestically produced oil?

Mr. JONES. Sir, in view of the fact that the production costs are first a difficult thing to ascertain and then the companies that operate there, of course, don't publish those, exact figures are not available. We did make a study a couple of years ago in regard to Middle East oil.

It had been brought out in the Brewster Committee hearings in 1948 that the cost of production in the Middle East, in Saudi Arabia, I remember the figure particularly, was about 41 cents a barrel.

Senator MILLIKIN. Add transportation.

Mr. JONES. Add transportation, Suez Canal toll and import duty, and at that time, compared with Texas crude laid down in New York, there was, we estimated on the best study we could make of that situation, that there was between 85 cents and a dollar or a dollar and a quarter difference.

Senator MILLIKIN. There have been some increased royalty charges since, but, roughly speaking, there would be from 50 or 60 to 85 cents differential, would there not?

Mr. JONES. As you say, there have been some increases. In fact, costs of production have increased in this country, and no doubt they have increased there. I would assume at a rate probably somewhat the same. However, one important factor in that connection is the completion of the large pipe line across the Saudi Arabian Peninsula over to the eastern Mediterranean. That has been completed and cuts out the long tanker haul around the Arabian Peninsula and the Suez Canal toll.

Senator MILLIKIN. That cuts down the cost of transportation in landing that oil in the United States.

Mr. JONES. Yes, sir. I would like to refer briefly to the so-called escape-clause procedures that have been in effect the past few years. We have had some experience with them and, as a matter of fact, 2 years ago we filed an application with the Tariff Commission seeking escape clause relief. It was denied, like all the other applications, without a hearing, without any consultation with the applicants, in a summary fashion, and we know nothing about what their decision was based on. All we know is that the application was dismissed. Although at that time and for a period of a year and a half or 2 years the domestic industry had been suffering very severely from imports, being closed back in production and depressed very severely.

Even so, they denied in a very offhand manner the application we filed at that time.

Senator MILLIKIN. Nine hundred thousand barrels of shut-in oil would represent how many oil field workers? How many oil field workers have you got all together at the present time?

Mr. JONES. Senator, the figure slips my mind, but 900,000 barrels a day represents a lot of oil wells. As you know in this country the average production per oil well is about 12 barrels, and it represents a lot of oil wells, and therefore would represent a lot of oil field workers.

Senator MILLIKIN. You do not have an estimate available of the number of men that are not working in the oil business who would be working if we restored our shut-in production?

Mr. JONES. I can give you some figures on that. I don't have them available right now, but would be glad to submit them.

Senator MILLIKIN. Do you mind if he submits those, Mr. Chairman?

The CHAIRMAN. You may submit those, and we will be glad to have them.

(The information referred to above is as follows:)

INSERT OF INFORMATION REQUESTED BY SENATOR MILLIKIN OF WITNESS L. DAN JONES

According to the United States Bureau of Labor Statistics during the past year and one-half there have been an average of approximately 257,000 employees in the production branch of the domestic petroleum industry. During the same period there was an average production of crude petroleum of approximately 5,200,000 barrels daily. This shows that there are approximately 50,000 employees in the producing branch of the industry per 1,000,000 barrels daily crude production. Although the ratio of employees to production may decrease somewhat as production increases it does provide a means of approximation.

Since imports are now averaging in the neighborhood of 1,000,000 barrels daily, it may be concluded that approximately 50,000 employees are being displaced by imported oil.

Mr. JONES. I would like to pick up on page 9 of Mr. Fell's statement, where he begins his comments on the House amendments, if I may do that.

We strongly recommend the adoption of the peril point and escape clause amendments, as passed by the House. The purpose and objective of these amendments constitute a most constructive step in the right direction.

These amendments would place the tariff adjustment procedure on a more sound basis. In lieu of the secretive and closed-door proceedings that have characterized the trade agreements program to date these amendments would delegate to the United States Tariff Commission the function of determining proper tariff levels but only after (1) full and open public hearings and (2) the publication of findings of fact on which the determination is based.

In view of our experience under the trade agreements program, which we understand is similar to that of many other groups, we feel it is essential that the escape clause procedure established by the executive branch be revised and clarified by legislative directive so as to provide specific legislative standards and to more clearly set forth the conditions under which relief shall be granted.

The requirements for a public hearing and findings of fact are of the utmost importance. They are basic to any proper procedure.

The escape clause amendment should also recognize and provide for the establishment, when necessary, of absolute or quantitative quotas. It is my understanding that the House amendment accomplishes this. The amendment should show as clear as possible that Congress authorizes and directs the imposition of quantitative quotas where an investigation and findings of fact indicate that the domestic

industry could not be protected otherwise. In some cases quotas will be the only means of a proper solution.

It was our thought 2 years ago when imports were such a problem to the domestic oil industry that perhaps the quota was the only solution to our problem at that time.

The escape clause amendment as passed by the House provides that the Tariff Commission's findings shall be submitted to the President as a recommendation. There is no specific requirement spelled out in the amendment that the President shall follow the recommendation. It is presumed that the President would follow the Commission's recommendation. In order to assure this, it is recommended that the amendment be revised so as to mandatorily require the President to take such action as is necessary to effectuate the Commission's recommendation.

In regard to the period of extension, the House bill provides for a 3-year extension. Based upon our experience we recommended to the Ways and Means Committee that the act not be extended. Not only have the originally stated objectives of the program not been realized, but Secretary Acheson stated that it is not contemplated to utilize the authority under H. R. 1612 to negotiate new trade agreements during the next 3 years. He stated that the next 3 years will be a period of consolidation and adjustment and that the parties to existing agreements will want to have a period of time in which to test and observe the operation of existing agreements.

Judging the over-all program from its effects on oil shows that its continuation would be disastrous. In the case of oil the results have been to damage the domestic industry, weaken the economy of more than half of the States and jeopardize the Nation's security by forcing our country to become dependent upon distant and uncertain sources of supply for a vital munition of war.

If, however, the act is to be extended, it is urged that the period of extension be limited to 1 year. The present uncertain world situation is likely to exist for some time. Rapidly changing conditions may require some changes in our course of action. This suggests the necessity for an opportunity to take a re-look at this problem at an early date. In addition, the adoption of the peril point and escape-clause amendments would initiate new procedures in the program which should be reviewed by Congress after a short-term trial period so as to determine if they have served the objectives for which designed and have been administered as contemplated.

That completes our presentation, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Has Mr. Coe come in?

Mr. Coe, we will be glad to hear you now.

STATEMENT OF H. L. COE, REPRESENTING BICYCLE INSTITUTE OF AMERICA, INC.

Mr. COE. I am appearing here in behalf of the Bicycle Institute of America, which represents substantially all of the bicycle industry, not only the manufacturers themselves, but the dealers and distributors and even down to the small bicycle shops scattered throughout the country. I won't read this statement because you gentlemen have it, only to mention, perhaps, some of the highlights on it.

The CHAIRMAN. Very well, your statement will be made a part of the record.

(The prepared statement of Mr. Coe is as follows:)

STATEMENT OF H. L. COE, REPRESENTING BICYCLE INSTITUTE OF AMERICA, INC.

MEMBERSHIP

The Bicycle Institute of America is made up of the following groups:

Bicycle Manufacturers Association:

Arnold Schwinn, & Co., Chicago Ill.
Cleveland Welding Co., Cleveland, Ohio
The Colson Corp., Elyria, Ohio
The Huffman Manufacturing Co., Dayton, Ohio
Monark Silver King, Inc., Chicago, Ill.
The Murray Ohio Manufacturing Co., Cleveland, Ohio
The Shelby Cycle Co., Shelby, Ohio
H. P. Synder Manufacturing Co., Little Falls, N. Y.
The Westfield Manufacturing Co., Westfield, Mass.
Excelsior Manufacturing Co., Michigan City, Ind.

These manufacturers produce 95 percent of all the bicycles made in the United States.

Cycle Parts and Accessories Manufacturers Association:

The membership in this group is composed of 56 producers of parts and accessories which are supplied to the bicycle industry, such as tires, coaster brakes, cranks, sprockets, chains, rims, spokes, saddles, mud and chain chain guards, handlebars, lights, etc.

These manufacturers supply over 95 percent of all such items used in the bicycle industry.

Cycle Jobbers Association and Merchant Member Group

These groups distribute over 80 percent of all bicycles and parts sold in the United States, the remainder being handled by independent hardware dealers, sporting goods stores and department stores.

The Bicycle Institute of America, therefore, has in its membership virtually all of the United States producers and distributors engaged in this industry.

DESCRIPTION OF MODELS

The bicycles produced by the manufacturers in the United States have many variations in style and design and are highly competitive. Nevertheless, with the exception of lightweight models, which account for less than 3 percent of the total putput, they are all heavier and are marked by other special characteristics not heretofore duplicated by manufacturers abroad.

The low-pressure balloon tires with which our bicycles are equipped have, up to now, seldom been used by foreign manufacturers who equip their models with high-pressure, small tires. The same is true of other outstanding features such as the double bar frame, with curved bars and streamline design, as contrasted with the lightweight foreign diamond frames; spring forks as contrasted with the simple unsupported fork blades of the foreign models. Generally, the United States models have more eye appeal through the use of brighter colors and ornamental attachments, while the foreign manufacturers conventionally use little or no trim or ornamentation.

The domestic model is distinctly American and heretofore has not been made in substantial quantities anywhere else in the world. It is the result of years of research and is designed to produce a bicycle ideally suited to the needs of the American public. It is constructed with built-in durability to withstand abuse and hard usage and also to insure low maintenance cost.

MARKET

Because of these inherent differences the conventional American wheel has found little acceptance outside the United States. Our lightweight model could, by virtue of design and excellent construction, compete in the world's markets except that our prices cannot match those offered by foreign suppliers. Consequently, the continued existence of the industry in the United States depends on sales in our own domestic market.

Our foreign sales never have exceeded 4 percent of production and currently have dropped to less than 2 percent. Canada, which traditionally has been our best foreign market, is now closed to us by Orders in Council, effective in July 1948, which constitute a practical embargo against the importation of United States bicycles. Other foreign markets in Cuba, Mexico, and South America are now being supplied by foreign manufacturers at prices below our factory cost.

The British industry is running at an all-time high. Not only are they supplying the total domestic demand in England but their exports, alone, to other countries exceed the total number of bicycles produced by the United States industry. The French, German, and Italian industries are rapidly reaching full production. Most of these countries, like Great Britain, are producing at greater than their former peak rates.

RESTRICTED UNITED STATES MARKET

Devaluation of currencies, bilateral trade agreements and barter deals are now making it practically impossible for our manufacturers to secure any sales outside of the United States. Consequently there seems no probability that this situation will improve at any time in the foreseeable future.

Our exports have declined from a peak of 105,000 bicycles in 1948 to 25,141 in 1950, valued at only $789,668.

Meanwhile, foreign competitors, because of the prospect of increased business have greatly accelerated their merchandising programs in the United States. Imports have increased from an average during 1937, 1938, and 1939, of $313,638 to $1,592,437 in 1950 covering 66,289 bicycles.

Importations have grown steadily all through 1950 but the substantial increased rate during the latter part of that year is most significant. Not only have the British manufacturers more than tripled the number of bicycles previously shipped into this market but substantial shipments are now coming from other foreign producers, especially Germany and Italy where the bicycle industry has been revitalized, largely through ECA aid.

While the importation of the conventional light-weight models is serious, a vital blow is now aimed at the very foundation of our domestic industry through the large-scale production of exact duplicates of our heavier balloon type models by a German manufacturer.

A recent order for German bicycles, placed by one of the great mail-order houses in Chicago, now confronts us. This one order is for 40,000 bicycles with deliveries to start in February or March. Even more important is the fact that these bicycles are not the conventional type formerly made abroad, equipped with small tires and little ornamentation, but are to be exact duplicates of one of our well known models with nickel plated trim, balloon tires and parts interchangeable with our own. They are to be sold under the same name plate as the American bicycles and even an expert would have difficulty in telling the difference. (Shortly our bicycles will be stripped of all nickel plating, ornamental trim, etc.) The price in New York is under $20 for the German bicycle. This is less than the manufacturing cost of our own models but the American public will not receive a corresponding benefit as these bicycles will be offered at approximately the same retail price as ours.

That the production of bicycles in the United States will be curtailed, due to defense requirements, is a certainty. Already orders from the National Production Authority have limited the quantities of scarce materials which we are permitted to use. All ornamental trim, which is distinctive on the American product, and has been an important feature in holding our domestic market, can no longer be used but the foreign bicycles are not so restricted.

That other large buyers of American bicycles will turn to foreign sources of supply is inevitable unless some restrictions are written into the basic act which you are now considering. The experience of others in getting any effective action under the escape clause offers little hope of relief in time to prevent very serious disruption of the whole American market. We cannot meet the ruinous price competition and still maintain wage levels which are four and a half times that of foreign manufacturers. Production in England, Germany, and Italy, in plants equipped with modern machinery, aided through Marshall plan financing, is comparable to our own. Those companies are the mass producers of bicycles and dominate the world markets. Our industry which has ample capacity to fully supply the domestic demand must depend for its survival on retaining this market.

The British have long maintained such a high protective tariff that virtually no foreign-made bicycles find their way into that country for the sole purpose of preserving the domestic market for their own manufacturers while we in the

United States, through continuous reductions in tariffs on bicycles, have placed our own industry at the mercy of these foreign producers.

In order to survive, the bicycle industry in the United States must be permitted to compete with the foreign manufacturers on an equal and fair basis in our own domestic market. This will only result when proper consideration is given to the difference in cost of production here and abroad, largely due to the American standard of wages.

Superior merchandising, salesmanship, and technical improvements offer no defense against costs which, due to low wages, are approximately 50 percent of ours, nor can we expect our jobbers and dealers, no matter how patriotic, to continue to sell American bicycles when they can make a much greater profit in handling a foreign make which would find ready acceptance during a time when the American industry is handicapped because of the defense program.

PRODUCTION AND COSTS

Foreign manufacturers, particularly in Great Britain, Germany, and Italy, have modernized and enlarged their facilities. They always have been "mass producers" in this industry, enjoying all of the advantages and economies of production line techniques and efficient operation. Their workmen are skilled in this type of production and, from all information available, their production per man hour is at least equal to ours.

WAGES ABROAD 34 CENTS AN HOUR

That the wages paid in these foreign plants are far below the average in our industry is well known. According to a report supplied by the Ministry of Labor and National Services, the average earnings for the engineering trades in the Birmingham (England) dstrict, which produces large numbers of bicycles, is stated to be 34 cents an hour for skilled workers, including their bonuses. Earnings of pieceworkers are somewhat higher, being reported at 37.2 cents per hour.

The American bicycle manufacturers have increased wages an average of 20 percent over 1946 levels and now are paying up to $2 per hour, the average for skilled workers being $1.75 per hour. The average in the industry is 11 percent higher than the national average in these trades, as reported by our Department of Labor, and 4½ times the corresponding wages in England.

The average increase in the cost of materials used by our industry is 24 percent higher than paid in 1946.

The average cost of foreign materials, parts, and supplies, reflecting the lower wage rates in these industries, is estimated to be less than one-half of ours.

It is painfully apparent that we are now experiencing the effects of this low-wage production, devaluation of foreign currencies, and other benefits afforded through the financial aid which our Government is giving to the foreign countries.

BRITISH PRICES BELOW AMERICAN COST

Difference in costs is now being reflected in the declared value for tariff purposes, of foreign-made bicycles as evidenced by the statistics of the Department of Commerce. Recent shipments from Germany are entering at a declared value of $13.33 each.

Component parts, such as spokes, tires, tubes, chains, etc., manufactured abroad are now being sold in our competitive markets at approximately half the price of similar items of American manufacture.

A recent sales bulletin sent out by Raleigh Cycle Distributors, Inc., Boston, Mass., states that their estimate of a possible increase of 100 percent in sales has proven "far too low."

There can no longer be any doubt that the "threat" to the American industry, which has been apparent to us for some time, and which was formally delineated to your committee, has now materialized.

That substantially greater imports are imminent cannot be doubted. Recent shipments prove it.

BRITISH SURVEY OF UNITED STATES MARKET

The British industry, encouraged by every possible assistance, financially and otherwise, from our Government, and supported by various concessions from their own Government, have made detailed studies of the potential United States

market. Sales outlets, through dealers and other agencies, are being constantly increased. Advertising is being stepped up in preparation for a concerted drive to capture this market.

The recent lavish and costly exhibit of British bicycles at Grand Central Palace in New York City is typical of the aggressive merchandising approach now being used.

The following extract from a report of January 16, 1950, entitled "British Production," prepared by our Embassy in London, is most significant:

"Since devaluation, Government officials and business organizations have urged bicycle manufacturers and exporters to concentrate their sales on the dollar market. While it is too early to say how far the possibility of offering reduced prices on British bicycles will go toward greater sales in the United States, certain manufacturers have already reported, increased sales.

"Mr. George Wilson, managing director of Raleigh Industries, Ltd., indicated that sales of their bicycles were expected to increase 100 percent. He stated—

" 'Reduction in our prices in the United States resulted in a substantial increase in orders to our Boston plant. This means doubling our business in America during the coming year.'

"An official of the Hercules Cycle & Motor Co. stated that reports from the United States indicated that exports of British lightweight bicycles would be increased by as much as 150 percent following devaluation."

ECONOMIC CONDITION OF THE AMERICAN BICYCLE INDUSTRY—UNITED STATES WAGES INCREASE 20 PERCENT

In contrast to developments abroad, the United States bicycle manufacturers have raised wages 20 percent since 1946. Our material costs are up more than 24 percent from 1946 prices. The volume of business has dropped substantially from the peak years of 1946 and 1947. Employment has decreased correspondingly. The best foreign market for United States bicycles—Canada—has been completely cut off and our sales in other foreign markets have suffered heavily.

EMBRYO GHOST TOWNS

The plants of many of the manufacturers in this industry are located in relatively small communities and furnish a substantial part of the wages on which the life of each community depends. The employees are skilled in the techniques of this kind of work and would have difficulty in finding equally remunerative employment elsewhere. Many of them own their homes and would suffer severe loss if forced to move, assuming they could find other jobs. Closing down of these plants would affect not only those employees, but would have repercussions through the hundreds of other companies supplying materials and the components required by this industry.

We have in the past repeatedly pointed out to the committee the vulnerable position of the bicycle industry if foreign manufacturers should make a determined effort to invade our market. We have stated that, because of the dominant position of the British industry, and the equally large production of other foreign manufacturers, which in the aggregate far surpasses that of our industry, we are at a tremendous disadvantage, not only in the foreign markets, but in our struggle to retain the American market, which we have created through long years of effort and at great expense. To permit foreign products to now replace the American bicycles and reap the benefits which have been created at great expense and effort by American workmen and investors, is indeed a tragedy and a serious blow to our economy.

BRITISH TRUSTS

In the United States we are confronted with the same factors which make it impossible for the foreign automobile producers to compete with our great automobile industry. Foreign manufacturers have the same advantage in the bicycle industry that is enjoyed by the American manufacturers of automobiles.

The British manufacture of bicycles is controlled by two powerful trusts—Tube Investment Syndicate and Raleigh Industries Group, which are given every possible support by the British Government. Unlike our automobile industry which no longer desires any tariff protection the British have always, and still do, maintain a high duty on the importation of bicycles. They are protecting their own domestic sales by every possible device in order to insure that market exclusively

for their industry. This is borne out by the official report of our Department of State, in which it is stated:

"It may be said that of the bicycles in use in the United Kingdom, 100 percent are British manufactured."

CONCLUSION

While H. R. 1612, as passed by the House of Representatives, is an improvement over the former act, we believe that some provision should be incorporated in the escape clause procedure which would permit an applicant to receive a copy of the findings of the Tariff Commission on his case.

We find no such direction to the Tariff Commission and, therefore, conclude that an applicant will still be unable to find out on what grounds his request for relief may have been denied.

Therefore, we urge that the escape clause procedure be strengthened to that extent.

Due to the rapidly changing conditions incident to the national defense program in the United States, and the greatly increased production of European industries, as well as tariff reductions which may follow the negotiations at Torquay, we also urge that any extension of the Tariff Agreements Act be for not more than 2 years.

Senator BUTLER. Do you represent the scooter industry?

Mr. COE. No, sir. Scooters do not come in the Bicycle Institute group.

Senator BUTLER. They are between the classification of bicycles and automobiles?

Mr. COE. Scooters and motorcycles, are more generally classed with mechanically driven vehicles. That group has not only scooters, but also bicycles with motors mounted on them, and that is in a little different category. Anything power driven doesn't come under the bicycle class.

Senator BUTLER. That industry has been tremendously injured since the end of the war.

Mr. COE. I understand so.

Senator BUTLER. It has practically been taken over by the output from England.

Mr. COE. I don't doubt it. I am not familiar personally with the records and the history of the scooter and the motorcycle industry, because they have their own group, and they do not come into this particular group with which I am associated.

You will note on the first page of this statement the companies which make up the bicycle industry and the scope of the coverage we have.

I might say that the industry all inclusive probably employs around a hundred thousand people. That takes in not only the manufacturers, but the distributors, jobbers, and small dealers in the towns.

The annual volume of business is estimated at about $100,000,000. That is a substantial figure for a small industry. We are not a big industry.

Many of these manufacturers are located in relatively small communities, such as Westfield, Mass., for example, Little Falls, N. Y., Elyria and Shelby, Ohio, and Michigan City; and, of course, there are the little bicycle shops throughout the country.

So that in many of the communities where the bicycles are made and parts manufactured the industry is the chief industrial support of that community. So that anything that affects the vitality or life of the bicycle industry is a very serious matter in these smaller communities.

We had an opportunity of presenting our case to the Committee for

Reciprocity Information, and I would like to read for you a statement that was made by a representative of the International Association of Machinists, who are the bargaining agency in many of our shops. In that particular statement, Mr. Flynn, who represented the International Association of Machinists, said that while the union, in general, was in favor of the reciprocal trade agreements, they feel there were certain exceptional cases in which consideration should be given and which might be an exception to the general policy of the International Association of Machinists. This was a statement of June 5 presented to the Committee for Reciprocity Information, and in commenting on that Mr. Flynn said:

The information furnished to us reveals that at the present time employment in this industry in the United States has decreased 45 percent from the peak employment after the war. This drop in employment may not seem particularly critical, as we may be inclined to say that people employed in this industry should be able to find employment in other industries. However, the problem is more serious when we consider that many of these manufacturing concerns are located in cities where the particular company represents one of the best opportunities of employment in that area. The community is dependent on the continuation of payrolls of the bicycle manufacturers located in the area in many cases. Workers laid off from these plants frequently do not have the opportunity to find other employment in their particular area or city.

Now we have been told that the war effort and the other chances of work, et cetera, would permit our mechanics and employees to readily shift here, there, or the other place; but here is a statement by the union men themselves who are very much concerned:

Mr. Flynn continued:

we urge the committee—

addressing the Committee for Reciprocity Information—

in considering the decision to be made affecting the bicycle industry—

that has to do with the tariff negotiations at Torquay—

not to lose sight of this important fact. While the bicycle industry is a comparatively small industry, it is an important industry and should not be sacrificed to favor another industry which might be in a much better position to meet the competition of products from other countries.

That is, I think, quite pertinent to our particular case.

Senator BUTLER. The same thing could be said about tens of thousands of other small industries.

Mr. COE. I don't doubt it could, sir.

Senator BUTLER. We have had some examples here. The watch industry, for one. The watch industry is an example.

Mr. COE. The watch industry, I presume, is larger than we are. Now, continuing with Mr. Flynn's statement:

We believe it is our obligation to point out to the committee that the situation in the bicycle-manufacturing industry could become a question of survival of the industry if the decisions made by the committee made it possible for the importation of foreign-made bicycles to get out of proportion

I think that was a very modest statement of fact.

Now our past experience in the importation of bicycles is interesting. We have been told by the various officials that have these matters in hand that importations don't amount to very much, less than 3 percent of our production, which is true.

However, that is three times our exports. That is all brought out in the statement you have before you. So that while at one time in

1948 we did export as high as 100,000 bicycles, that was due to world shortage. Now we are down to twenty or twenty-five thousand. You will find that on page 4 of the statement.

Senator MILLIKIN. As far as the bicycle industry is concerned, there isn't any reciprocity.

Mr. COE. There is no reciprocity, and the thing that is extremely dangerous is that we have been left wide open. We are in a defenseless position. We have pointed out ever since we have had the opportunity of doing so to the Committee for Reciprocity Information the danger of not having some regulation, which would at least limit this foreign competition, explaining to them it was not so much the number of bicycles coming in as the fact that a thousand English bicycles or a thousand German bicycles, once established in this market, builds up dealers, builds up traders, they build up service departments, and so forth, and when that foundation is laid and those outlets are available, the funnel is wide open and they can pour down any quantity of product they wish to into this market.

I have here a recent publication that is gotten out by the British called the Motorcycle and Cycle Trader. It is their trade magazine. On page 443 you gentlemen will be interested in the statement. This was made by Sir Ernest Canning, who is the Lord Mayor of Birmingham, which is one of the largest centers in England of bicycle manufacture.

Senator MILLIKIN. What is the date?

Mr. COE. This is dated February 9, 1951. He said here:

> The bicycle continued to be one of the engineering products of which this country could be proud. We have got the United States licked in the bicycle manufacture.

Now I do not like to have anybody tell me we are licked, but on on the other hand, I would like to be able to put up a fight, and you can't do it with both hands tied behind your back and somebody kicking you in the face every time you stick it up. That is Mr. Cannings' statement of the situation as the English look at it.

Now, as to further tariff reduction with which we are threatened at Torquay, we took occasion to contact a number of the importers of British bicycles, and I will read you a quotation from the manager of the Raleigh Cycle Co. in the United States, which is one of the biggest of the foreign manufacturers. This was also presented——

Senator MILLIKIN. You stated the name of the person and you said "in the United States."

Mr. COE. I beg your pardon. The Raleigh Industries are one of the largest British manufacturers.

The CHAIRMAN. Where are they located?

Mr. COE. Birmingham, but the local manager and their branch plant is located just outside of Boston.

The CHAIRMAN. They have an American house?

Mr. COE. They import their parts and assemble here and sell them as finished bicycles. We asked them as to their impression as to whether the tariff should be further reduced and he writes this. This is quoting from the testimony given to the Committee for Reciprocity Information. This third letter comes from Raleigh Industries of America, which is a wholly owned subsidiary of the Raleigh Industries of Great Britain, one of the world's largest bicycle combines.

It may be for the purpose of our discussion helpful if I tell you that the English market is probably dominated by two giant syndicates, the Raleigh Industries and Tube Investments. This letter is from the American subsidiary:

> It is our understanding that your committee is about to discuss the question of changes in rates of duty which apply to British bicycles, and we would like to go on record as feeling that the present rates of duty are equitable, reasonable, and do not require revision. In particular we do not see any need for a movement, which we hear is on foot, for the reduction in rates as applying to bicycles above 36 pounds in weight.

There is our competitor right in the United States saying no further reduction is necessary, and yet these matters——

Senator MILLIKIN. What is this weight classification?

Mr. COE. There are two differentials in the tariff regulations. There is one rate of duty applying to British lightweights, as we call them. That is a bicycle weighing under 36 pounds. There is a higher rate of duty which applies to the typical American type of bicycle weighing over 36 pounds. The higher rate, about 15 percent, applies to the American type.

Senator MILLIKIN. He says there is no need to cut that?

Mr. COE. No need to cut that.

Senator MILLIKIN. How about the lower?

Mr. COE. The lower is 7½ percent, and so it couldn't make a particle of difference. The rate of duty is entirely negligible. Not only are we faced with this competition from England, but I would like to have you gentlemen look at a book we just recently received. This is titled "Japan's Bicycle Guide." It is printed in English. What would be the purpose? Obviously to get the American market.

In here you will notice an exact duplicate of the American type of bicycle, which you gentlemen will notice is quite different from the lightweights that are usually sent in. So not only are we confronted with the traditional competition from the European manufacturers, but the Japs are going to great expense to get out a book showing parts and everything else they can ship into our markets, and as you know, the Japanese price have always been about a third of ours.

Senator MILLIKIN. Is this a GATT book?

Mr. COE. No, sir. This is gotten out by the bicycle trade group in Japan. I presume that paid for it. I don't know who paid the bill, but there is so much of this aid going on it is possible that some counterpart funds or other assistance may have been used to print it, but it is not an official GATT book.

Now, this type of competition has not been unforeseen; it has been perfectly evident because ever since 1935 we have pointed out that regardless of the number of bicycles that came in, the establishing of these outlets and dealers and arrangements of that kind was the last step that was necessary in order to practically eliminate our industry for the simple reason that the costs of production in European countries must be far lower than ours. They are far lower than ours, due to wage rates, which are roughly a quarter of ours.

I just noticed in a press release that came out about a week or 10 days ago, speaking about the increase in wages which the English engineering trades had received recently. Unskilled men get a maximum increase of 8 shillings a week to 5 pounds 6 shillings per week in basic pay. Skilled men get maximum increases of 11 shillings a week

to a top of 6 pounds and 8 shillings a week. We will take the pound at $4 something, and there is $25 a week maybe.

Senator MILLIKIN. The pound is only $2.80.

Mr. COE. It has certainly gone down. There is 6 pounds and 8 shillings weekly wage of a skilled mechanic in the areas with which we have to compete. We are paying from $1.70 to $2 an hour. The State Department and the other people that advocate the reduction of tariffs point out that the American techniques and ingenuity of the Yankee for mass-production industries make it possible for us to lick the world. That may be true in certain particular classes.

On the other hand, it so happens that the bicycle industry in the United States is only about one-fifth as big as the bicycle industry of England.

Senator MILLIKIN. How about your mechanical processes? Do you have any advantage there?

Mr. COE. Not the slightest. They have the advantage of us due to their mass production facilities.

Senator MILLIKIN. Do we have any advantage in the acquisition of materials and supplies?

Mr. COE. The British traditionally have had the inside track in the rubber market for tires, they have a good steel industry, their techniques in operation are fully as good as ours. We won't admit they are any better, but they have the advantage of this mass production, and they have the low wages, and they turn out a very excellent product, and I would say——

Senator BUTLER. What is the difference in wage scale?

Mr. COE. Six pounds eight shillings a week for a skilled mechanic and we pay $1.75 to $2 an hour for the same man.

Senator BUTLER. Give us what the weekly wage would be in dollars in England and here.

Mr. COE. Forty hours at $2 would be $80 a week.

Senator BUTLER. For us?

Mr. COE. And we will say averaging it down, because those are the top wages, to $1.75, it would be $60 or $70 against 6 pounds 8 shillings.

Senator BUTLER. Twenty dollars a week?

Mr. COE. Eighty dollars a week.

Senator BUTLER. For us.

Mr. COE. For us against 6 pounds 8 shillings for the British. If you put the pound at $2.50——

Senator BUTLER. That is about $20 a week.

Mr. COE. Yes. We are easily four times above them and the same is true with Germany and Italy where wages are even lower.

Now we have used every known device of ingenuity that is available to us. We have spent large sums of money in developing the sales in the United States. Our market is restricted now entirely, you might say, to the United States. Our exports have disappeared due to exchange difficulties, reciprocal trade agreements, dominion preference agreements, and so forth. Canada, which was our best export market in the past, through orders in council 3 years ago virtually barred the importation of any American bicycles into Canada. They did that through their particular method of handling matters of that kind, by cutting down the percentage of dollars available for purchases there in the different categories. The result has been that month after month we could not export a single bicycle to Canada, and the

yearly total is insignificant. There is no possibility of recouping anything in that market. That is generally true in all other foreign countries.

Senator MILLIKIN. Canada would have imperial preference.

Mr. COE. Yes, they have a lower duty on British bicycles than for ours. While their wage rates are less than ours, they are completely protected with their embargo. The result is Canadian manufacturers of bicycles have more than tripled their output of bicycles since this order was put in effect.

Senator BUTLER. That is an illustration of what has been going on for a great many years, industries moving to Canada.

Mr. COE. They have to move to Canada in order to keep their business.

We are limited to sale in our own country. That has been made clear time and again to the State Department and the various conversations we have had with them and the briefs we have filed, and yet, in spite of that, the tariffs have been reduced from originally 30 percent in 1934 down to 7½, and I don't know what they will do at Torquay. I don't believe they will do anything, because they have it so low it would be ridiculous to reduce it further. They might as well put it on the free list as far as that goes. There is no protection left.

Now, not only are we faced with this competition, which was bad enough in a free market, but we are now under NPA regulations and under the recent order for the limitation of the use of steel——

Senator MILLIKIN. My understanding of the law is if they reduced it from 30 to 7½, they can't reduce it any more.

Mr. COE. They can reduce it 50 percent every time they negotiate.

The CHAIRMAN. No; they can't do that.

Mr. COE. Unless it is bound.

The CHAIRMAN. I think you are right.

Senator MILLIKIN. They can reduce it 50 percent two times. They reduced it from 30 percent to 15 and then to 7½, but there they are bound under the law.

Mr. COE. I think you are right. It really makes no difference. If they took the 7½ off, the difference in price on a bicycle laid down would be a matter of $2 or $3 and wouldn't interfere with the importation at all.

Now we come up against the defense effort and in the recent steel order put out by the NPA our industry will be cut 64 percent.

The CHAIRMAN. I don't think we would have much chance here to help you directly on that.

Mr. COE. I don't expect that.

The CHAIRMAN. You had better go to the——

Mr. COE. We have appealed that to the Steel Division of the NPA and they will adjust that, I think. We are also limited on copper and chrome and nickel. Now the result there is that assuming we get our appeal from the NPA and they put us back up to the average of the rest of industry, which may be a cut of 30 percent, which would be reasonable and we are perfectly willing to operate on that——

Senator MILLIKIN. As far as you know, has Canada or England made similar cuts in the use of steel?

Mr. COE. I don't think they have made any as far as I know. NPA limits use of nickel. American bicycles have held their position in the American market largely because of its appearance. We get out a really fancy-looking bicyle. It is trimmed up with headlights, imitation gas tanks, et cetera. Now those things have to be removed. Yet the British and the foreign manufacturers are putting bicycles in here with that trim on them.

That was bad enough. But we did have traditionally some protection in this respect. We had spent a great deal of money popularizing our type of bicycle and we had held our volume in the United States in pretty good shape. There were many reasons—for example, customer preference—but I think the biggest deterrent to the wholesale importation of bicycles was the matter of replacements not being available. When you have these bicycles in every country town, you can't wait for parts to come from Germany or England, with the result that many dealers were reluctant to push foreign bicycles.

However, in December Sears, Roebuck went over to Germany and made a contract with one of the leading bicycle manufacturers of Germany for 40,000 bicycles at one clip. Putting our bicycle and their bicycle side by side, an expert couldn't tell the difference. There is the same name plate, the same model, the exact duplicate of our models, and they are built to the American standards, the same threads, the same fits, et cetera. They will have 40,000 of those bicycles on the market this summer, when we are cut down to 70 percent at best of our total production, stripped of all trim. Our bicycles will be drab in appearance compared to the kind of bicycles Sears will be selling.

Senator BYRD. How much do they do it for?

Mr. COE. Laid down in New York for $20.

Senator BYRD. How does that compare?

Mr. COE. About $10 under our wholesale price. A shipment of about 10,000 bicycles came in prior to this order at $13.33 declared value. To that you would add freight, insurance, and duty, which might be $3, so the foreign bicycle costs $16 or $17 compared to our $28 or $30.

Senator MILLIKIN. How much does it cost you, all costs, to make a similar type of bicycle?

Mr. COE. The lowest price we make through our wholesale distributors is around $28.

Senator BYRD. Are these German bicycles as good as the bicycles here?

Mr. COE. Sir?

Senator BYRD. Is it as good in quality?

Mr. COE. Yes; the workmanship is excellent. It is a well-made piece of machinery, well fitted, and now that they are duplicating our standards, our sizes and fits, and so forth, as I say, there may be something underneath the crank that says, "Made in Germany", but it isn't going to appear on the model where anybody will see it, and that will be about the only difference.

It so happens these big mail-order houses control the brand name under which the bicycle is sold. We make the bicycle for them but put on their brand name. If they want to contract with a firm in Germany to make a bicycle with that same name plate on it, they have the perfect right to do so, but the public will never know the difference

and the public will not get substantial benefits, because the retail price is only a few dollars under our retail price for similar models. The result is there is a big spread of profit between the time that bicycle reaches this country—I don't know how much profit the German plant may make at their wholesale price, but there is such a spread after it gets to the United States that you can't expect a distributor or dealer or jobber for patriotic reasons to stand up against that competition very long.

Our dealers and distributors are complaining very very bitterly saying, "If you fellows won't reduce your price to somewhere near the price at which we can get these other bicycles, we will have to takeon more foreign bicycles."

We can't honestly blame them. Patriotism is a factor, but it doesn't feed the baby. You have to get the cash register working.

Here is Sears with this mass order coming into the market at the very time when we will be curtailed in production and sale; and if Sears does it, Montgomery Ward will have to do it, these other big wholesale mail order houses are going to have to do the same thing. We were advised that one of them now is trying to negotiate a similar order with another German manufacturer in Dusseldorf. So now we are exactly where we have told the Committee for Reciprocity Information we would be if they didn't consider the matter seriously and establish some method of giving us some protection. Each time we were listened to very courteously and the tariff was cut every time they got a chance at it. They shrugged the shoulders and said, "After all, in the greater good for the greater number some must be hurt," but that is very cold comfort for a hundred thousand people in the bicycle industry.

The thing we complain about is that the judges of our case are the men who are all appointees of the administrative. They are put in there because of their well-known sympathy with the administration policies, and they are the men to whom we have to present our hardship cases, and yet the whole organization is set up to foster this so-called reciprocal trade agreement and the reduction of tariffs, so that we have a packed jury before we ever get to court, which doesn't help us a great deal.

Now the question comes to these escape clauses. There is a phrase in there that no industry will suffer serious losses. Who is to say what is serious? This same panel of judges. How serious must it be?

Take the case of the felt hat with which you gentlemen are familiar. It wasn't until the imports, I believe, were 50 or 60 percent of the United States production before they got any relief. The horse is out of the barn. There is no use locking the stable door then. It is too late. We don't want to be in the same position.

So far as we can see, our only possible hope of relief is not through tariff. The tariff has been run to death. The only possible chance there is of protecting an industry such as ours is through some mandatory regulation which require a quota, tariff quota, or absolute quota. I don't know what is the proper thing to do, and we are willing to work under any agreement of that sort, but certainly there must be some standard set up by which the number of these bicycles that come into this country will be restricted, and as far as we are concerned, if they want a quota of twice the number they have brought in before,

we might say that would be reasonable. We don't like it as it means that many less working hours for our people.

This one Sears, Roebuck order will deprive American labor of over 300,000 hours of work.

So that in your consideration of the bill I certainly hope that you will find a way of strengthening that escape clause so that proper relief is mandatory. I object to leaving the life blood of our industry in the hands of people who don't have to take any action until they conclude we have been seriously hurt.

Senator MILLIKIN. If you can't get that, will you take it the way it is?

Mr. COE. We are going to go on fighting. We are not going to lie down on this thing, but it is a losing battle.

Senator MILLIKIN. I understand. Assuming it can't be changed, would you rather have that than nothing?

Mr. COE. Certainly.

Senator MILLIKIN. How about the other provisions of the House bill?

Mr. COE. The peril point, et cetera?

Senator MILLIKIN. Yes.

Mr. COE. Well, do I understand that the findings under the present House bill, the findings of the Tariff Commission will be open to the applicant or are they simply submitted to the President and the President in turn passes it to this committee and the House Ways and Means?

Senator MILLIKIN. You are talking about peril point?

Mr. COE. Peril point and also applications under the escape clause.

Senator MILLIKIN. Peril point. The findings would not be made public except where the President makes a concession which is lower than the peril point.

The CHAIRMAN. Where he disagreed——

Senator MILLIKIN. Established by the Tariff Commission.

Mr. COE. What is the chance of our knowing if we should apply under the escape clause? Would their findings be available to us or are they sent to the President and passed to this committee and the House Ways and Means Committee?

Senator MILLIKIN. My understanding of the amendment is they would be available.

Mr. COE. That will be helpful because at least we will know why the jury ruled against us.

The CHAIRMAN. We will have to go to the floor. You may put your whole brief in the record.

Mr. COE. The brief is in the record.

The CHAIRMAN. Thank you for your appearance.

Mr. COE. I am sorry I couldn't be here earlier this morning.

The CHAIRMAN. That is all right.

We have three or four other witnesses scheduled for the afternoon. I think it likely that we can return here by 3 o clock. We will take a recess until 3 o clock.

(Whereupon, at 12:07 p. m., the committee adjourned, to reconvene at 3 p. m., this same day.)

AFTERNOON SESSION

Present: Senators George (chairman), Kerr, Millikin, and Butler.

The CHAIRMAN. Senator Millikin, will you call the first witness?

Senator MILLIKIN. Mr. Melden?

STATEMENT OF JOHN BRECKINRIDGE, REPRESENTING NORTHWEST NUT GROWERS

Mr. BRECKINRIDGE. Mr. Chairman, my name is John Breckinridge, an attorney here in Washington. Mr. Melden unfortunately could not remain in Washington. He had come here from the west coast to testify, and waited about a week. He could not stay any longer, and asked me if I would make the statement for him.

Senator MILLIKIN. The committee is terribly sorry for these delays. I think it has been explained how it came about, and that it came about——

Mr. BRECKINRIDGE. It is perfectly understandable.

Senator MILLIKIN (continuing). Unexpectedly from the Senate's prohibiting committee meetings in the afternoon, and that "discombobulated" the whole schedule.

Senator BUTLER. Do you have a statement?

Mr. BRECKINRIDGE. I do not have a prepared statement, sir; no, sir. Mr. Melden would have spoken, and I am speaking for the Northwest Nut Growers of Oregon and Washington, which is a cooperative organization of filbert growers.

We are particularly pleased at having the opportunity to appear and tell our story because we feel we have a story that is different from any other industry which has been presented to date. We are an industry which has actually been seriously hurt. The filbert industry has been actually put on its knees since 1945 by the heavy flood of imports of filberts from the Mediterranean.

We have exhausted every administrative remedy that is open to us, and to no avail in each case. Our only possible remedy left is through legislation.

The other day Mr. Rosenthal, speaking for the United States Chamber of Commerce, indicated that he thought it was all right for the State Department to have the authority, as it does have, to determine what industries are efficient and what industries should be permitted to stay in business, and what industries should be liquidated.

Well, we already are in the process of being liquidated. The industry is bankrupt; trees are being pulled out, orchards are being abandoned, growers are no longer able, in most cases, to get credit from banks because of the import situation, and this entire situation comes about by imports and the trade-agreements program. It comes about specifically by the trade-agreements program, and the fact that the trade-agreements program has caused the administration to ignore other legal proceedings that have been provided for relief in such cases, such as section 336 of the Tariff Act, section 22 of the AAA Act, the countervailing duty, and the antidumping statutes. All of them we have tried and have gotten no relief.

We have been ignored in almost every effort we have made to get relief. We particularly wanted to appear today to ask the committee if they would not try to break down, in one little test case, the veil

of secrecy that has prevailed over these many years concerning how the trade-agreements program is administered.

This committee has on several occasions requested to have the minutes of the meetings of the Trade Agreements Committee, where the decisions are made as to what cuts will be made and what cuts will not be made. We feel that since that is not available to the committee, if they would appoint a subcommittee in this case, as a test case, and go into it step by step of what has been done over the past 6 years, that——

Senator MILLIKIN. Mr. Chairman, the witness so far has testified that the filbert nut industry in Washington and Oregon has already been injured; that it is in such condition that you cannot even make bank loans on the business; that they are tearing out trees. His next point was that they have tried every remedy, supposedly every remedy, of law, to remedy their plight, all to no avail.

Now, he is making a suggestion that a test case of some kind should be made on this secrecy which shrouds the making of these agreements.

The CHAIRMAN. I see.

Where is the competition coming from principally?

Mr. BRECKINRIDGE. From the Mediterranean.

The CHAIRMAN. Mediterranean?

Mr. BRECKINRIDGE. Filberts are only produced commercially, or in any commercial significance, in the United States, Turkey, Spain, and Italy. That is where the competition comes from.

The CHAIRMAN. I see.

Mr. BRECKINRIDGE. And imports have come in since the war in such tremendous volume, or where they have not come in such tremendous volume, they were there potentially ready to come in, that our prices have been completely governed by the foreign price. The principal factor that sets out price is at what price can we set and keep imports out.

If we get it just a little higher than the Mediterranean price, our nuts rot on the tree out in Oregon and Washington, and the users buy imports.

The CHAIRMAN. What particular nuts do you refer to?

Mr. BRECKINRIDGE. I am speaking solely for filberts.

The CHAIRMAN. Filberts?

Mr. BRECKINRIDGE. Yes, sir. I want to emphasize——

The CHAIRMAN. They are produced only on the west coast; are they not?

Mr. BRECKINRIDGE. Only in Oregon and Washington.

The CHAIRMAN. Oregon and Washington?

Mr. BRECKINRIDGE. There are some insignificant quantities in areas close to that, but commercially only in Oregon and Washington.

The CHAIRMAN. Yes, but commercially that is a big production.

Mr. BRECKINRIDGE. I want to emphasize in my statement today that I am speaking only for the filbert growers. We have represented several other organizations, agricultural groups and others, in connection with trade agreements, both the legislation and administration of it, and we are specifically not speaking for them.

Unfortunately many industries, I think, have been afraid to come before this committee or any place else publicly and state actually what has been done to them, and how they feel about the way this

thing has been administered, because the State Department still has the noose around their necks, and can become displeased and tighten it a little bit more, to the point where they are completely strangled.

In this case we have gone so far—we are bankrupt, and in the process of being liquidated, and I mean literally liquidated. They cannot hurt us any more, so we are willing to state a few of the things that have happened to us in the hope that this committee will take that as a sample—that this committee will take the filbert industry as a sample—and appoint a subcommittee to investigate this case thoroughly; go in and talk to the people in the Department of Agriculture who know the tree nut industry, and have lived with it through the last 6 years of trade-agreement negotiations; in the Tariff Commission and talk with them, and then see what has been done step by step to completely preclude us from getting any relief whatsoever even where statutes provide for the relief entirely aside from the trade agreements.

What I want to do here is to just briefly outline the steps that we have taken beginning back in 1946, and comment on what the result was, and some of the statements that have been made to us.

The filbert, the duty on shelled filberts, was reduced from 10 cents to 8 cents per pound in 1939 in an agreement with Turkey. The 10-cent duty was already inadequate, and substantial imports came in under it. But the real force of the imports was not felt until after the war, beginning in 1944 and 1945, when imports jumped up to five—three to five times—what they were prewar.

The CHAIRMAN. Was the duty fixed at 10 cents per pound?

Mr. BRECKINRIDGE. Ten cents per pound on filberts.

The CHAIRMAN. Shelled?

Mr. BRECKINRIDGE. Shelled. In 1930 it was fixed at 10 cents per pound, which was unduly low. In 1930 the filbert industry was just a growing industry, and too much concern was not expressed over it; whereas the import duty on almonds was 16½ cents, on shelled almonds; on walnuts 15 cents, where the situation is practically the same. They compete with the same general areas, are produced in the same general areas, and the differences in relative costs of production are approximately the same. Even that low duty of 10 cents was cut to 8 cents.

The CHAIRMAN. Has there been any subsequent cut made?

Mr. BRECKINRIDGE. There has been no subsequent cut made, but shelled filberts are on the list with a proposal to cut it to 4 cents a pound in these Torquay negotiations now, and unshelled filberts on which the duty is 5 cents per pound, were bound in the Annecy agreement. I am going to comment on that a little bit more.

The CHAIRMAN. I see.

Mr. BRECKINRIDGE. They bound it at the time we were proceeding in the Tariff Commission, trying to get an increase under section 336 of the 1930 Tariff Act.

Senator MILLIKIN. What does a pound of shelled filberts sell for, Mr. Breckinridge?

Mr. BRECKINRIDGE. In this country, I do not know the exact price today. In past years they have sold as low as 18 to 20 cents a pound, and that represents about 38 percent of parity.

Senator MILLIKIN. At the retail level?

Mr. BRECKINRIDGE. No, sir; that is at the wholesale level; whatever they sold at returned only 38 percent of parity to the growers, which does not even return the cost of production.

Now, again to illustrate that factor, the committee could talk with Senator Morse who did own a filbert orchard, and which he, in recent years, found that he was losing money on consistently. He either sold it or pulled the trees out, I do not remember which. I think he pulled the trees out, but you can confirm that with the Senator.

It so happens that Mrs. McNary is in the room now, and she has a half interest in one of the very substantial filbert orchards in Oregon. She has lost money consistently since 1945, since the imports started coming in. That is the cut-off period.

The CHAIRMAN. Did the volume of the industry reach a relatively high level before——

Mr. BRECKINRIDGE. It reached a relatively high level during the war.

The CHAIRMAN (continuing). The war?

Mr. BRECKINRIDGE. As I say, the industry only started in the late 1920's.

The CHAIRMAN. Yes.

Mr. BRECKINRIDGE. And, incidentally, they started under the encouragement of the Department of Agriculture and the State departments of agriculture, encouraging them to plant filberts because they were peculiarly suited to that area and would provide diversification in an area which at times had been adversely affected by being too specialized in lumber. It grew up through the thirties. There were a lot of new plantings in the late thirties, and there were a lot of new plantings during the war. It is still an expanding industry because it takes filbert trees 9 to 12 years to come into what is called commercial bearing, where it is expected to pay for itself, without even making a profit. There are a lot of trees planted and growing which will come into production in the future, and which will result in a constantly increasing over-all crop for the next 10, 15, 20 years, because even after they get to a bearing age, say, 9, 10 years old, they continue increasing in the quantity they bear for several years.

But beginning in 1947 new plantings stopped. People saw that it was not a profitable crop, and they stopped new plantings. They have actually pulled out several acres of them or abandoned them. They did not have enough return to properly care for the orchard.

Filbert trees, it is peculiar, but originally they were wild bushes, hazel nuts. But when properly cared for they develop into full trees, similar to almond trees, and when neglected and not taken care of—that is, cut off the saplings down at the bottom of the tree—they revert to a wild growth, which is not commercially feasible; I mean it will make no profit.

Many of the growers are doing that today because they have not had enough return to pay for the care of the orchards. In many cases a large percentage of the nuts have actually stayed on the ground. The return, particularly on shelled filberts, did not produce enough to even pay the cost of picking them up off the ground.

I will go ahead with the various steps we have taken.

The CHAIRMAN. Yes.

Mr. BRECKINRIDGE. And these are the steps that we would suggest that a subcommittee of this committee go into and investigate thoroughly.

Back in 1946 the industry recognized fully that unless some relief from imports was forthcoming that the industry was on its way out.

As a result, we began conferences with the State Department in the hopes of getting some relief through the administration without proceeding legally.

It became quite apparent that we would not get any relief that way, so the first step we took was to go before the House Agriculture Committee back in the time when there was much to do about the food deficit areas of the world and shipping food to those areas.

We suggested that this tremendous surplus of filberts and other tree nuts in the Mediterranean be diverted to those areas rather than dumped into the United States market. We based that on the ground that tree nuts have a high-calory content and a high food-value content. We got sympathy in some quarters, but at every place we were blocked by the State Department. It was the Emergency—I do not know whether I can recall the name—the International Emergency Food Council at that time, which was allocating food supplies all over the world, and has later been taken into the Food and Agricultural Organization of the United Nations.

The head of that Council gave us considerable sympathy and said that something might be worked out, but then it was dropped at the insistance of the State Department.

Following that, we went to the State Department with the suggestion that they might work out a gentlemen's agreement with Turkey, Italy, and Spain. We suggested that they point out that these imports were having a very adverse effect here, and that, perhaps, they could get Italy, Spain, and Turkey to voluntarily limit their exports to the United States to a reasonable quantity.

There again, Mr. Clayton of the State Department told us that they could not do that; that it was not feasible, and really they do not have the authority to do it; that they had no authority to give us relief, and that we would have to come to Congress.

Now, that was stated in a letter from Mr. Clayton to Senator Cordon and that letter can be given to the subcommittee if they would look into this.

Following that, we urged that they find some way to increase the tariff, and in 1947 we appeared at the hearings before the Geneva Conference, together with other tree-nut interests, and urged that the tariff be increased.

We had several conferences with State Department officials, and several of our Congressmen sat in on the conferences. There again, they finally told us—and this again was in a letter from Mr. Clayton to the Congressmen—that we have never increased a tariff under the trade-agreements program, and will never do so. He did not say, "We will never do so," but, in effect, that is what he said—that it just could not be done.

We were naive enough to believe that the law meant what it says when it authorized a 50-percent increase or decrease. But the State Department has said that they, in effect, never have and never will increase a tariff.

Senator MILLIKIN. I understood you to state that you took a delegation to Geneva?

Mr. BRECKINRIDGE. Sir?

Senator MILLIKIN. Did I understand you to say you took a delegation to Geneva?

Mr. BRECKINRIDGE. No, sir; prior to Geneva, we appeared before the CRI hearing, the Committee for Reciprocity Information hearing, urging that a tariff increase be made.

Senator MILLIKIN. Yes.

Mr. BRECKINRIDGE. Following that we looked around some more, and decided to proceed under section 336 of the 1930 Tariff Act to ask for a tariff increase, based on a difference in the foreign and domestic cost of production.

We filed a brief with the Tariff Commission requesting an investigation and tariff increase on January 21, 1949, which was summarily dismissed by the Commission without any statement of the reasons why, and without an investigation, in other words, without our day in court.

On April 8, 1949, the Tariff Commission issued a public notice which was our only notice that application so-and-so was denied and dismissed, period.

Senator MILLIKIN. That is all there was to it?

Mr. BRECKINRIDGE. That is all there was to it. Actually in discussing that application with members of the Commission it was stated to me that—

> We do not like your tactics in filing this application for an increase under section 336. You are putting us on the spot. You know that the trade-agreement negotiations are coming up, at Annecy, France, and this is inconsistent with the trade agreement, this is inconsistent with the negotiations going on.

Senator MILLIKIN. May I see that notice, please?

Mr. BRECKINRIDGE. Yes, sir.

We are confident, from the great deal of work we did in connection with that case, that it was dismissed——

Senator MILLIKIN. It looks to me like that is a regular mimeographed form which must have wider application than just to the tree-nut industry.

Mr. BRECKINRIDGE. That is what they normally use, sir. They have not given relief in a section 336 case for years; I believe it goes back to 1933 or 1934.

Senator MILLIKIN. Has there ever been an assignment of reason why not?

Mr. BRECKINRIDGE. No, sir. I am going to go just one step further in this same case. I am convinced from my personal conversations with the people involved that this was dismissed because the State Department felt that it was inconsistent with the negotiations at Annecy, and that, as Mr. Clayton said at one time in connection with another matter, "If we did this now, we would stand convicted of insincerity."

Senator MILLIKIN. I see.

Do you know of any case where they have tried to put a legal basis under their refusal to take action?

Mr. BRECKINRIDGE. That is our next step, sir.

Senator MILLIKIN. All right, proceed.

Mr. BRECKINRIDGE. As I say, we have exhausted every administrative remedy.

Following the dismissal of our first 336 applications, conditions in the industry got worse and worse. We had a new bumper crop coming on; Europe had a tremendous crop, and we felt that we should again bring that to the attention of the Commission and again ask

them to make an investigation. This was still before there was any trade agreement, before filberts were in a trade agreement—unshelled filberts. Consequently there was no legal bar to the Commission's making the investigation and, if the facts justified, recommending to the President a 50-percent increase in the duty to equalize the difference in foreign and domestic cost of production.

So on September 2 we refiled, stating these new facts that had developed since the Commission had dismissed the previous application summarily without any statement of a reason why. This new application was pending in the Tariff Commission until May 4, 1950, at which time they issued another of their mimeographed notices of dismissal which says:

> Application as listed below heretofore filed with the Tariff Commission for investigation under the provisions of section 336 of the Tariff Act of 1930 has been denied and dismissed.

Then it states that the purpose of the application was for filberts, not shelled, increase in duty, and the date, and the organization, Northwest Nut Growers. Below that it states the reason why it was dismissed, and this is after it was pending from September 2, 1949, to May 4, 1950, I quote:

> The application was dismissed because filberts, not shelled, have been included in the Annecy Agreement which was concluded under the Trade Agreements Act. Section 2 (a) of that act forbids the application of section 336 to such articles. The concession was negotiated with Italy.

It is signed Sidney Morgan, Secretary.

Unshelled filberts were bound at the existing rate of duty at 5 cents per pound in the Annecy Agreement.

The CHAIRMAN. They did not reduce the duty, simply bound it?

Mr. BRECKINRIDGE. Did not reduce it, simply bound it, and we are convinced that they bound it for the specific purpose of legally prohibiting us from getting relief under section 336.

Senator MILLIKIN. They held this application from what date?

Mr. BRECKINRIDGE. From September 2, 1949.

Senator MILLIKIN. And they concluded the Annecy Agreement when?

Mr. BRECKINRIDGE. I believe it was announced in the latter part of April or early May, 1950.

Senator MILLIKIN. So that they had ample opportunity to give you relief under the provision of the law, but made it impossible for you to get relief by holding the application until Annecy had been concluded?

Mr. BRECKINRIDGE. That is correct, sir. In fact, our original application was on January 21, 1949, and it was stated to us at the Commission, "You should not file these cases when trade agreement negotiation is coming up. It is inconsistent, it puts us on the spot."

Now, we appeared before the Committee for Reciprocity Information in connection with the Annecy negotiations, and we there again pointed out that we had pending before the Tariff Commission an application for relief under section 336, and gave again the reasons and attached a copy of our brief to the Tariff Commission as to why we needed a tariff increase, and I think if the committee looks into this they will be thoroughly satisfied that we have the facts to justify the investigation, and relief in the form of a tariff increase.

We asked the Committee for Reciprocity Information to do one of two things: Either remove unshelled filberts from the list of commodities subject to negotiation or to not bind it, and we specifically asked them not to bind it because that would legally cut off our approach to relief through section 336. We made that point very specific and urged that they at least leave us an opportunity get relief under section 336 if we could justify it to the Tariff Commission. But we were cut off by the binding without our day in court.

The next step was proceedings leading up to the current Torquay negotiations.

Senator MILLIKIN. At the time you filed your application were filberts in any existing trade agreements?

Mr. BRECKINRIDGE. No, sir; unshelled filberts were not. The application——

Senator MILLIKIN. They were covered by the act of 1930?

Mr. BRECKINRIDGE. I might clarify that. In the case of shelled filberts, we would like to have filed an application for an increase under section 336, but we were legally prohibited from doing so because shelled filberts were in the Turkish Agreement of 1939.

Senator MILLIKIN. But not unshelled.

Mr. BRECKINRIDGE. Unshelled were in no agreement.

Senator MILLIKIN. That is right.

Mr. BRECKINRIDGE. And that is the reason our application pertained only to unshelled filberts.

Senator MILLIKIN. Is Turkey still the principal supplier?

Mr. BRECKINRIDGE. Turkey is the principal supplier of shelled filberts and Italy is the principal supplier of unshelled filberts, both predominantly so.

Senator MILLIKIN. I see.

Mr. BRECKINRIDGE. In the negotiations, in the period leading up to the Torquay Agreement, when we realized that a new agreement was coming up, we had, as a result of past experience, decided that it was utterly impossible to win a case by going to the Committee for Reciprocity Information. Consequently, we concentrated our whole effort with the Department of Agriculture, with the Department of State and the other departments involved, urging them please not to put filberts on the list, and make them subject to negotiation this time. But in spite of that, shelled filberts were listed for negotiation and a proposed cut from 8 cents to 4 cents per pound.

At this time the Northwest Nut Growers had concluded that it was an utter waste of time and an utter waste of effort and money to appear before the CRI, so they wrote a very short brief, and I would like to read the concluding paragraph of that brief:

> The Northwest Nut Growers do not consider that the attention to or consideration given to facts presented to the Committee for Reciprocity Information, by those making the final decisions, is sufficient to warrant or justify the expense of having prepared a more detailed and comprehensive brief or appearing to testify at the public hearings. However, if the committee should desire any further information we will be most pleased to furnish it or to make our books and records available to a representative of the committee.

That is not only true in the case of the Northwest Nut Growers, but there are many industries who appear before CRI purely as a matter of form to make a record, and also others who do not appear because they realize that it is a waste of time and a waste of money.

Now, the next step, and I might say that it was at this point that the Northwest Nut Growers decided that we had been courteous long enough, that we had asked for relief in a courteous fashion long enough, and it was time to take the gloves off and fight for our lives, because we could no longer be hurt any more. We decided not to appear at the CRI hearings before the Torquay negotiations, and the next step we took was an effort to get relief under section 22. Now, I think I might here go back to the comments on section 336.

At the time we were trying to get the Commission to at least give us an investigation, to at least give us our day in court on section 336. They said, in effect, that, well, we recognize that you are being hurt and that you are going to be hurt seriously.

Now, several of the Commissioners have said this to me themselves. The said, that we do not believe that section 336 is the proper relief, is the relief you need. We are not satisfied that a 50 percent increase in duty would even solve your problem.

Senator MILLIKIN. Do they deny that the section is effective, except where the subject matter is covered by a trade agreement?

Mr. BRECKINRIDGE. They do not deny that it is effective, but I think they treat it as though it were repealed, because it is inconsistent with the Trade Agreements Act, and they consider that as of a later date and as the controlling policy.

But, aside from that, they, in effect, said, we do not think that even if we gave you relief that it would solve your problem. What you really need are quotas, and we suggest that you proceed to try to get quotas under section 22.

We had already on September 10, 1948, applied to the Secretary of Agriculture for an investigation to determine whether or not we were entitled to quotas under section 22. That finally went to the Tariff Commission in 1950.

The President ordered the Tariff Commission to make an investigation under section 22. Then, after suggesting previously that section 22 was the real relief we needed, we came to the Tariff Commission. They, in effect, have told us, oh, we forgot about article XI of the General Agreement, which puts very definite limitations on when quotas can be used.

In that connection I believe Senator Millikin and the committee questioned the Secretary of Agriculture at some length, and it was brought out that there was a memorandum submitted to the Commission by the Department of Agriculture; another memorandum or letter submitted to the Commission by the State Department on the pros and cons of whether we were legally entitled to quotas under section 22 in view of article XI of GATT.

I understand that those memos or letters have been submitted to the committee, and I believe that a study of those briefs will clearly indicate that the position of the State Department in connection with quotas is completely inconsistent with the statements they have made concerning section 22 quotas before this committee, and before other committees of the Senate.

I believe you will recall that when the committee was holding hearings in connection with the ITO charter in 1948, I believe it was, Senator George discussed the effect of a particular article in the proposed charter for an international trade organization, the effect it would have on the administration of section 22 in the imposing of

quotas under section 22 when imports interfered with an agricultural program.

Now, that section of the proposed ITO charter which you were discussing then is identical with article XI which is now in the General Agreement on Tariffs and Trade.

Mr. Brown of the State Department stated at that time that it would not affect the administration of section 22. I do not have the exact citation of that colloquy between you, Genator George, and Mr. Brown, but I could get it.

Then in 1949 when Senator Magnuson's and Senator Morse's amendment to section 22 was on the floor of the Senate, Mr. Brown wrote you a letter—I believe it was to you, Senator George—in which he stated that the amendment would constitute an abrogation of GATT, and that it would require a renegotiation of all the existing trade agreements. There is one case where the State Department was inconsistent.

Before the Senate Agriculture Committee in 1950, when the section 22 amendment was before that committee, Mr. Brown testified that, of course, when we have production or marketing controls on domestic products we should have a parallel control on imported products.

But yet when the filbert growers go before the Tariff Commission for an investigation and, incidentally, which was supported by the Secretary of Agriculture and the Secretary of Agriculture had a representative at the hearing and testified in favor of it, the State Department comes back and says, in effect, that—Oh, no, imposing quotas under these circumstances would be inconsistent with GATT—inconsistent with article XI of GATT.

Now, at our hearings—there was a public hearing, open; we appeared and the opposition appeared, which constituted the importers, the nut salters, candy manufacturers, and other users. Toward the end of the hearing one of the Commissioners asked the representatives of the Department of Agriculture if he would submit a brief or a memorandum stating their understanding of the relationship of GATT, article XI, to section 22, which they said they would, and it was mentioned that the State Department had already submitted such a statement.

Following that we went to the Tariff Commission and asked if we could have a copy of the brief filed by the Secretary of Agriculture, and they said, No, that was submitted in confidence only for the consideration of the Tariff Commission.

We then went to the Department of Agriculture and asked them if we could have a copy, and they said, No, we can't give you a copy because the State Department says that this matter is confidential, and that both their letter and the letter of the Department of Agriculture should be and should remain confidential, only for the consideration of the Tariff Commission.

Now, I submit that that is the grossest kind of star chamber proceeding and secrecy, when we are in the open, presenting our briefs and the opposition presents their brief but the State Department is permitted to submit a brief in opposition which we are not even to see or to have an opportunity to answer. I submit that the Interstate Commerce Commission never operates on that basis. When OPA or the Department of Agriculture or any other agency of the Government submits a brief or a statement in connection with a rate case

which is under consideration, it is in the open, and it is subject to study and a reply brief by the shippers or by the railroads. I think the same sort of procedure should be followed in a quasi-judicial body such as the Tariff Commission.

Senator MILLIKIN. Mr. Chairman, you will recall that we asked for copies of the correspondence on the subject between the State Department and the Tariff Commission, and between the Department of Agriculture and the Tariff Commission, and the request may have been even broader than that.

I now have what purports to be these copies and I shall submit them for the record. I notice that very oddly none of these documents is marked with "Confidential" or "Secret" or "Restricted" stamps, and so I feel at perfect liberty to incorporate them into the record, and would anyhow.

I would like to read just a few excerpts. This is the Department of Agriculture's letter of January 30, 1950, to the President, as I read it hastily, and it seems to be favorable to the consideration of relief for the tree nut industry.

Mr. BRECKINRIDGE. He certainly was in his statement at the public hearing before the Commission, in which he covered some of the legal phases there, but we have never been able to see the brief that was filed following the hearing.

Senator MILLIKIN. Then, Mr. Steelman, under date which does not appear on this copy, writes to Mr. Ryder, and among other things it is said:

> The Commission shall determine whether the above designated nuts of foreign production are being or are practically certain to be imported under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any one or more of said programs or to reduce substantially the amount of any product processed in the United States from walnuts, filberts, pecans, or almonds.

Then under date of April 10 the Acting Secretary writes to Dr. Steelman, and he says among other things:

> Based on the Department of State's present understanding of the facts as to the operation of the tree nut programs of the Department of Agriculture, this Department does not believe that it would be possible for the United States to impose quantitative limitations on imports of tree nuts pursuant to section 22 consistently with this country's international obligations as a contracting party to the General Agreements on Tariffs and Trade.

Here is a strange one:

> However, the Department of State believes that the proposed investigation by the Tariff Commission should go forward in order to provide for the fullest possible review of the facts relating to the importation, domestic production, and marketing of tree nuts.

Mr. BRECKINRIDGE. Could I make a comment there?

Senator MILLIKIN. Yes, go ahead.

Mr. BRECKINRIDGE. I could not prove this, but I have been told, and I believe it thoroughly that the State Department finally relented because so much pressure was put on—and the Senator will remember that he participated in some conferences with Mr. Brannan, Secretary of Agricultural Brannan, concerning——

Senator KERR. Did you say Assistant Secretary Brannan?

Mr. BRECKINRIDGE. No, sir; Secretary Brannan of the Department of Agriculture—urging that this investigation be made.

The State Department constantly opposed even making the investigation. Finally they relented and said, in effect, we will let them have their investigation; we can control what the Tariff Commission does anyhow.

Senator KERR. Where did you make that statement?

Mr. BRECKINRIDGE. That statement was made to me.

Senator KERR. By the State Department?

Mr. BRECKINRIDGE. By the State Department——

Senator KERR. That they were going to let them make it because they would control it anyway?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. Who made the statement?

Mr. BRECKINRIDGE. I do not know who made the statement.

Senator KERR. Well, you said the State Department made it.

Mr. BRECKINRIDGE. It was related to me.

Senator KERR. You said the State Department said that to you.

Mr. BRECKINRIDGE. No, sir, I said that conversation was related to me.

Senator KERR. Who said that to you?

Mr. BRECKINRIDGE. I would prefer not to say who said it.

Senator KERR. Was it anybody in the State Department?

Mr. BRECKINRIDGE. No, sir; somebody outside the State Department.

Senator KERR. Was it anybody who purported to be quoting anybody in the State Department?

Mr. BRECKINRIDGE. They did not purport to be quoting, but they did purport to be stating the effect of what the State Department position was when they finally said: Let us go ahead and have the investigation even though we believe the facts would not warrant a quota in view of GATT, just as Senator Millikin has just read into the record.

Senator KERR. I thought you said that the State Department said, "Let them go ahead and have the hearing because we could control what they did anyway." Did I misunderstand you in that?

Mr. BRECKINRIDGE. No, sir, I think that is, in essence, when you get down to it——

Senator KERR. Is that your conclusion or is that what was said to you?

Mr. BRECKINRIDGE. It is my conclusion, based on many conversations, that the final position of the State Department, as read by Senator Millikin——

Senator KERR. Based on many conversations with whom?

Mr. BRECKINRIDGE. With various people in the Government who have been involved in the case.

Senator KERR. Who in the Government now have said such a conversation with——

Mr. BRECKINRIDGE. Various officials in the Department of Agriculture primarily.

Senator KERR. Who have said that that is what the State Department had said to them?

Mr. BRECKINRIDGE. I would not say that they quoted the State Department saying that, but they were of the impression.

Senator KERR. What did they quote the State Department as saying?

Mr. BRECKINRIDGE. They made no direct quote of the State Department.

Senator KERR. Then they were expressing an opinion?

Mr. BRECKINRIDGE. Let us put it this way: That I concluded from my various conversations with various people involved in it that the State Department felt, Let them have their investigation; the Tariff Commission won't give them relief anyhow.

Senator KERR. And you do not want to tell us who it was that you had those conversations with?

Mr. BRECKINRIDGE. I would prefer not to.

Senator KERR. And you do not want to tell us what statements they made upon which you arrived at that conclusion?

Mr. BRECKINRIDGE. I do not want to make that statement in public, no, sir. If the committee——

Senator KERR. I guarantee what you say here is in public.

Mr. BRECKINRIDGE. That is the reason I say that what I have suggested is that the committee appoint a subcommittee and make its own independent investigation.

Senator KERR. I understand, but I am asking you about the statements you have made to this committee, and I am asking you now if you want to outline to the committee the conversation that you had, although you are holding the names of those of whom you had it anonymously, what conversation—what did they say that led you to that conclusion?

Mr. BRECKINRIDGE. I came to that conclusion from conferences with various people, primarily in the Department of Agriculture, who had been working with this problem for several years.

Senator KERR. What did they say that led you to that conclusion?

Mr. BRECKINRIDGE. They said that the State Department finally relented from its opposition to an investigation, and my conclusion was, from the various conferences, that they did that on the basis that the State Department felt that, even though the investigation was had, relief would not be granted—either the Tariff Commission would not recommend the relief; or—the matter still being within the discretion of the President—that the President would follow their advice and refuse to impose the quota.

Senator KERR. Now, then, the statements you have made here that they said to you were that the men in the Department of Agriculture advised you that somebody in the State Department had finally relented and agreed to the investigation. Is that what the representatives of Agriculture told you? That is what you just said.

Mr. BRECKINRIDGE. In substance, what I gathered from my conferences with people in the Department did——

Senator KERR. I am asking you what they said from which you gathered your inference.

Mr. BRECKINRIDGE. I am going to try to state it.

Senator KERR. Not your inference, your conclusion, but the statements that they made to you.

Mr. BRECKINRIDGE. The only statement that was made to me directly or specifically was that the State Department had relented from its opposition to the investigation itself.

Senator KERR. Now, you said awhile ago that the statement made to you was that the State Department had "finally relented." Now, which was it?

Mr. BRECKINRIDGE. Well, I will amend that to say "finally relented." They had opposed the investigation for a considerable period of time.

Senator KERR. But that they had finally relented?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. And agreed that it might be investigated?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. Now, what further statement did they make to you?

Mr. BRECKINRIDGE. I will not say that any specific statement was made to me.

Senator KERR. Other than that?

Mr. BRECKINRIDGE. But from these discussions——

Senator KERR. I am not talking about discussions; I am talking about statements made to you. What further statement was made to you by representatives of Agriculture about the State Department?

Mr. BRECKINRIDGE. I will say none; but from all of my conferences——

Senator KERR. None—now, wait a minute. Then, your inference that you have just stated here that they agreed to it because they knew they could control it anyway was based on the statement which you have given us here that you say was made to you by somebody in Agriculture.

Mr. BRECKINRIDGE. Well, may I state again what my understanding was?

Senator KERR. You may do as you like.

Mr. BRECKINRIDGE. I do not have a specific quote of the State Department which I can give the Senator.

Senator KERR. You do not have any other than the one you have given us?

Mr. BRECKINRIDGE. The one I have given you.

Senator KERR. And you have none other?

Mr. BRECKINRIDGE. I have what my opinion is.

Senator KERR. I say, you have no other quote from anybody with reference to what they thought the State Department would do; none other than Agriculture or in Government?

Mr. BRECKINRIDGE. No; other than that they had finally relented from their opposition to the investigation.

Senator KERR. Now, you have no other statement that you know of?

Mr. BRECKINRIDGE. I have no other direct statement.

Senator KERR. Than that?

Mr. BRECKINRIDGE. No, sir.

Senator KERR. And all of the conclusions that you have drawn are based upon that quote?

Mr. BRECKINRIDGE. No, sir.

Senator KERR. That is the one upon which your conclusion——

Mr. BRECKINRIDGE. The conclusion that I have drawn, the opinion that I have, other than that, is based on numerous conferences with numerous people on the point—I am stating a conclusion of my own, I am stating my own opinion only.

Senator KERR. Yes.

Mr. BRECKINRIDGE. That the State Department——

Senator KERR. I want to know with whom the conferences were besides those in Agriculture, if you care to tell us.

Mr. BRECKINRIDGE. Well, other than those in Agriculture?

Senator KERR. That were in the Government.

Mr. BRECKINRIDGE. I had a lot of conferences with officials in the Tariff Commission in connection with it.

Senator KERR. Officials or staff members?

Mr. BRECKINRIDGE. I will not say that it was necessarily on—necessarily with any individual or any individual from a particular department from which I have drawn my conclusion or my opinion.

Senator KERR. Well, now, did the people in the Tariff Commission make any statement about the attitude about the State Department?

Mr. BRECKINRIDGE. They have stated that the position of the State Department was that article XI of GATT legally prohibited us from getting quotas under section 22. That was stated in public hearing by one of the Commissioners.

Senator KERR. Yes; but I am talking about the conversations that were made with you.

Mr. BRECKINRIDGE. No, sir. I will answer that categorically; no.

Senator KERR. They made no statements about what the State Department would do or would not do?

Mr. BRECKINRIDGE. No, sir.

Senator KERR. Well, then, you said that you had these conversations with numerous people, and I am asking you if there are any of those people in Government.

Mr. BRECKINRIDGE. I have had conferences with a lot of people in Government.

Senator KERR. Can you answer my question?

Mr. BRECKINRIDGE. Primarily—I do not believe I can answer that directly, Senator.

Senator KERR. Can you tell me if there is anyone else in the Government with whom you have had these conversations?

Mr. BRECKINRIDGE. My conversations have been principally with the Department of Agriculture and the Tariff Commission.

Senator KERR. Now, you say the Tariff Commission representatives made no statement as to the attitude of the State Department in these conversations with you?

Mr. BRECKINRIDGE. I did not say they made no statement as to the attitude of the State Department. I said they had no attitude as to what the State Department would do.

Senator KERR. I did not understand you to say that the representatives in Agriculture made any statement to you quoting statements from the State Department?

Mr. BRECKINRIDGE. No; I said that——

Senator KERR. What you are telling me in effect is that they did not do that.

Mr. BRECKINRIDGE. That is correct; other than they did state—and I do not remember the individual who did it—but it was stated that the State Department had finally relented from its opposition to the investigation.

Senator KERR. But that is all that they said.

Mr. BRECKINRIDGE. That is all that they said; yes, sir.

Senator KERR. And there was one person who did that?

Mr. BRECKINRIDGE. There was one person who did that. There may have been more who did it.

Senator KERR. You do not remember others?

Mr. BRECKINRIDGE. No, sir; and I do not remember the name of the individual who did that.

Senator KERR. And that was a statement of his conclusion; that was not a quotation by him of somebody in the State Department?

Mr. BRECKINRIDGE. No, sir.

Senator KERR. Is that correct?

Mr. BRECKINRIDGE. That is correct, sir.

Senator KERR. And you do not know of any other person in Government who has made a statement to you as to the attitude of the State Department on this matter?

Mr. BRECKINRIDGE. Well, now, in general conferences concerning this over a long period of time, statements have been made: "Now, the State Department says that you cannot have quotas because of this or that reason."

Senator KERR. By people in Government?

Mr. BRECKINRIDGE. By people in the Government; by people in the Tariff Commission.

Senator KERR. In conferences with you?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. How many individuals in the Tariff Department have said that?

Mr. BRECKINRIDGE. I do not recall the exact number. I have had it repeated in numerous conferences with many people in the Tariff Commission.

Senator KERR. But you do not remember any one individual who made that statement?

Mr. BRECKINRIDGE. No, sir.

Senator KERR. And that was before the statement made to you by somebody in Agriculture that they had finally relented?

Mr. BRECKINRIDGE. That was mostly after the investigation was started when we were discussing the various factors involved in the case.

Senator KERR. Then that was after Agriculture representatives had made the statement to you?

Mr. BRECKINRIDGE. Yes, sir; it was after the investigation was started.

Senator KERR. And you are able to remember that there was one individual from Agriculture who said that to you?

Mr. BRECKINRIDGE. I did not say I remembered the individual in Agriculture who said that to me.

Senator KERR. I did not say you remember that. You said that you remembered there was one individual, but you cannot remember who it was in Agriculture?

Mr. BRECKINRIDGE. That is right, because I discussed the matter with many officials in Agriculture.

Senator KERR. And that since that time others in the Federal Trade Commission have discussed it with you, but you cannot remember who it was?

Mr. BRECKINRIDGE. I have discussed it with almost all of the Commissioners and with several members of the staff working on the case, and the statement there made when I have been arguing a point of law with them—when I have made an argument in a certain way—that we are entitled to quotas, the comment has been made, and several times by different individuals; but the State Department argues

this way; and essentially I assume that it is the position that the State Department has taken in the letter which Senator Millikin has just read to us.

Senator KERR. Had you seen the letter read by Senator Millikin when you arrived at that conclusion?

Mr. BRECKINRIDGE. No, sir; I have never seen it yet.

Senator KERR. Had you heard it before this morning?

Mr. BRECKINRIDGE. That that was in the letter? No, sir; but, I knew there was such a letter.

Senator KERR. Then, any assumption that you made prior to the time you heard the letter was independent of what was in the letter; was it not?

Mr. BRECKINRIDGE. Well, I have never said I had any assumption as to what was in the letter other than that it took a position that article XI of GATT restricted the use of section 22 in imposing quotas. That is the only statement I have made.

Senator KERR. No; the statement you make was that many people have said to you that the State Department finally relented and agreed to this investigation because they could do what they wanted to do anyway. That is what brought on this cross-examination, and you are far afield from that now, and that is the only statement about which I am trying to get you to be specific.

Mr. BRECKINRIDGE. I stated before that I did not recall anybody in the Tariff Commission making that statement to me, but that the statement——

Senator KERR. Or anybody out of the Tariff Commission.

Mr. BRECKINRIDGE. But it was told to me by some official or officials in the Department of Agriculture.

Senator KERR. No; you said that their statement was that the State Department had finally relented and agreed to an investigation.

Mr. BRECKINRIDGE. Sir? Finally relented and what?

Senator KERR. And agreed to an investigation.

Mr. BRECKINRIDGE. Yes, sir; that was the statement of some official in the Department of Agriculture.

Senator KERR. Yes.

Now, the statement you made about which I am cross-examining you goes far beyond that, and that was that the State Department had finally agreed to it because they would be able to do what they wanted to do regardless of what the Tariff Commission did.

Mr. BRECKINRIDGE. If I said that somebody quoted the State Department to me to that effect, I made a mistake.

Senator KERR. You were mistaken?

Mr. BRECKINRIDGE. I was mistaken.

Senator KERR. And that is the statement of your own conclusion and is not a statement that is based on statements that anybody in Government has made to you.

Mr. BRECKINRIDGE. That is correct.

Senator KERR. That is all I wanted to know. That is all.

Mr. BRECKINRIDGE. I have drawn the conclusion from working on this thing for a long period of time.

Senator KERR. You are at perfect liberty to draw any conclusion that you want to, and you are at perfect liberty to put them in the record as you want to. I was just curious about the statement that

you had made that many in the Government had told you that that was the attitude of the State Department.

Mr. BRECKINRIDGE. If I stated that specifically, sir, it was a mistake; I am sorry I said it.

Senator KERR. All right.

Mr. BRECKINRIDGE. But what I intended to say there was that from my various conferences with many Government officials in connection with this—and we worked with it very closely—that I drew the conclusion that the State Department felt that we could have the investigation but that eventually either the Tariff Commission would not recommend it favorably or, if they did recommend it favorably, that the President would conclude not to give us relief in the form of quotas because of article XI of GATT.

Senator KERR. Now, that is your conclusion and you have explained to the committee the basis on which you arrived at it.

Mr. BRECKINRIDGE. Yes, sir; and I am sorry that I left any other impression.

Senator MILLIKIN. Are you an attorney, Mr. Breckinridge?

Mr. BRECKINRIDGE. Yes, sir.

Senator MILLIKIN. You represent quite a few different clients who are interested in different phases of this reciprocal trade program; do you not?

Mr. BRECKINRIDGE. Yes, sir; I do, but I want to emphasize again that here I am speaking only—and I want to reemphasize that I am speaking only for the filbert growers.

Senator MILLIKIN. You have made it very clear. Am I very clear, am I completely clear, in my impression that you are a very active attorney in these matters and that you represent numerous clients who are interested in this reciprocal trade program?

Mr. BRECKINRIDGE. I have worked with it almost—I would estimate that 80 percent of my time has been spent on it since 1946.

Senator MILLIKIN. For various clients?

Mr. BRECKINRIDGE. For various clients.

Senator MILLIKIN. And in the course of doing your work for these clients you get around to the departments, the Tariff Commission, as you have mentioned, and the Agriculture Department, and I know of one—at least one—conference where you have been present with State Department employees, of my own knowledge; and during all these contacts you form certain impressions in your mind, is that correct, just as does anyone else, I suggest?

Mr. BRECKINRIDGE. Yes, sir.

Senator MILLIKIN. And the part of your statement to which exception has been taken that the State Department runs the show, the cross-examination rests on whether somebody told you the State Department runs the show; but I suggest it is a matter of common notoriety that the State Department does run the show, and that it ran it in this particular case.

Mr. BRECKINRIDGE. That has been my conclusion.

Senator MILLIKIN. What you heard transpired, as evidenced by the letter from which I have read; to wit, the State Department says this is invalid and to go ahead and hold a hearing anyhow.

Mr. BRECKINRIDGE. Yes, sir. That is exactly it, and I also was suggesting that if this committee would appoint a subcommittee to investigate the matter they would come to the same conclusion.

Senator MILLIKIN. Yes.

Now, I wanted to read one more excerpt, and then I am through as far as these letters are concerned, for the time being. Here is a letter from Willard Thorp, Assistant Secretary, dated June 27, 1950. He writes to Commissioner Ryder, and among other things he says:

The GATT makes clear that where import restrictions are being applied to make effective a domestic agricultural restriction program, the restricted imported product shall be like in character to the restricted domestic product, or if there is no substantial domestic production of the like product, shall be directly substitutable for the domestic product. This means that if we are restricting the marketing only of the unshelled type of a domestically produced nut, as in the case of walnuts and filberts, we would not be justified in restricting the imports of both the shelled and unshelled types of these nuts.

I have a further quotation after an interval of language here:

Furthermore, the Department takes the view that it would be contrary to the interests and obligations of the United States to take any action inconsistent with part II of the General Agreement, especially in view of the specific provision in subparagraph (f) of section 22 which provides that no proclamation under this section shall be enforced in contravention of any treaty or other international agreement to which the United States is or hereafter becomes a party.

Mr. Chairman, I ask that the correspondence be put in the record in full at this point.

The CHAIRMAN. I think that is already in the record, I am not sure. Was that sent to the committee?

Senator MILLIKIN. At the time I said in effect to the witness, "If you do not care to submit it to the committee, send it to me," and so it may be that unfortunately I am the sole possessor of this file, but I am in no fear of going to the penitentiary because, as I say, it is not marked confidential.

The CHAIRMAN. You may put it in the record, but I was under the impression that we had received and put these letters in the record.

Mr. BRECKINRIDGE. Mr. Chairman, at this same point, I would suggest that we wrote a brief in connection with the section 22 investigation, and part 5 of our brief is devoted solely to the General Agreement on Tariffs and Trade, and its relationship, particularly article XI, to section 22.

I think it would be helpful for the committee to have that, and it might be helpful to include it in the record. To be complete and fair about it, I would also suggest the inclusion of a brief on the same point covering only the legal phases of GATT and section 22, which is the brief submitted by one of the parties opposing the quotas at the investigation, which was the Peanut and Nut Salters Association.

The CHAIRMAN. Is it necessary to put the entire brief in or just a portion of it?

Mr. BRECKINRIDGE. In our case it is only necessary to put the last part which deals with——

Senator KERR. How much would that include?

The CHAIRMAN. How much would that include?

Mr. BRECKINRIDGE. In our brief it is page 67 through page 100, about 30 pages.

Senator KERR. I suggest that he leave copies with the committee.

The CHAIRMAN. You could leave us copies. We could have it if you will leave a copy of both.

Senator MILLIKIN. Are there any essential things in there that have not been touched on these hearings?

Mr. BRECKINRIDGE. Nothing other than the legal question of how section 22 and article XI should be interpreted, and how one relates to the other, and the position of the State Department. I believe the position is that the various extensions of the Trade Agreements Act and the amendment to paragraph (f) which was adopted at the last session to section 22, constituted a congressional ratification of article XI and, therefore, article XI controls rather than section 22 being controlling.

Our position is that article XI of GATT is nothing but an executive international agreement, having had no approval by the Congress, and is subordinate to an act of Congress, which section 22 is.

The CHAIRMAN. You may leave copies here. We may put in so much of the brief as seems to have a bearing on this matter and would be helpful. We do not want to build up too much of a record.

Mr. BRECKINRIDGE. We are not anxious to have that included in the record, but if you should appoint a subcommittee they should consider that, I should say.

The CHAIRMAN. Yes, sir; all right.

(The brief and memorandum referred to, by direction of the chairman, are made a part of the record and are in the files of the committee.)

Mr. BRECKINRIDGE. Finally, the decision of the Tariff Commission in the filbert section 22 case, and in this section 22 case was that there was no basis for relief, but they would continue to review the situation as it developed.

Well, we are thoroughly convinced that unless legislative correction is made that we will never get relief under section 22. Even if the Tariff Commission should make a favorable report recommending quotas, we fear and we feel confident that the President would refuse to act on that, as under the present law he has authority to do.

Senator MILLIKIN. Mr. Chairman, may I say something off the record?

(Discussion off the record).

The CHAIRMAN. All right, is there anything else?

Mr. BRECKINRIDGE. Those are the final steps we have taken so far. We have exhausted, I believe, every possible approach to relief administratively under the Trade Agreements Act or under other acts of Congress which provide for relief. We believe under facts existing in our case, and we think that an investigation by this committee would substantiate that belief, that relief had been fully justified in each case.

We believe before the act is extended that this committee should look behind the veil of secrecy, at least in a test case, to find out how this act has been administered—whether it has been administered in accordance with statements that have been made before this committee. We believe that it has not been so administered.

To date the committee has nothing to rely on, other than statements made to the committee, and when they have wanted to look behind the veil, they have consistently been refused access to the records of the decisions of the Trade Agreements Committee or the basis on which these decisions have been made; and I think if they looked into this case, they would be horrified at the way in which some of these decisions are made, and it would only be illustrative of the way similar decisions are made in other industries.

Senator KERR. Have you any knowledge of the facts that would horrify the committee?

Mr. BRECKINRIDGE. Other than those that I have already stated, no, sir.

Senator KERR. Then your statement is a conclusion on your part based on your estimate of the situation and not on tangible facts which you yourself can relate to the committee?

Mr. BRECKINRIDGE. They are based on what I consider tangible facts which——

Senator KERR. Suppose you tell us what those tangible facts are.

Mr. BRECKINRIDGE. Well, my opinion is that if the committee will make an investigation——

Senator KERR. Now, we are away from opinions, and back to tangible facts. You know the difference between an opinion and a tangible fact; do you not?

Mr. BRECKINRIDGE. Well, I could not——

Senator KERR. I said, do you know the difference?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. All right. Now, you said that they were based on tangible facts. Relate those for the record.

Mr. BRECKINRIDGE. I can't relate all of those facts; I have related some of them.

Senator KERR. Relate one of them.

Mr. BRECKINRIDGE. One of them is the fact that Senator Millikin read from the letter, the correspondence, just now.

Senator KERR. I thought you said tangible facts you had now would be found back of the cloak of secrecy——

Mr. BRECKINRIDGE. As I said——

Senator KERR (continuing). That have been denied to the committee.

Mr. BRECKINRIDGE. I said the tangible facts which the committee would find if it made a test case investigation and looked behind the veil of secrecy.

Senator KERR. That it would horrify the committee, and then I asked you, and you said you knew some tangible facts.

Mr. BRECKINRIDGE. One tangible fact I know is the reference that the Senator, Senator Millikin, has just read.

Senator KERR. What other tangible fact do you know?

Mr. BRECKINRIDGE. No specific fact that I would state here, Senator. If I went back——

Senator KERR. Do you know anything that you would not state?

Mr. BRECKINRIDGE (continuing). And relate every conference I have had that has led me to this conclusion——

Senator KERR. Do you know any that you would not state? I speak only for myself, but as one member of this committee I am greatly impressed by anyone who is concerned or who feels that they have a matter that we should concern ourselves with. I say frankly to you that when a witness makes statements which he cannot back up or will not back up, and which he gives as facts, and then I find out they are only conclusions, that depreciates the situation so far as I am concerned quite a good deal and, therefore, for my own benefit and for my attitude with reference to your matter, if you know any horrifying facts that are hidden behind the veil, I would like for you to tell them for the record.

Mr. BRECKINRIDGE. I have stated what our experience has been.

Senator KERR. I understand, and I listened to you.

Mr. BRECKINRIDGE. And I am only speaking of the decisions that have been made in these various steps in connection with the filbert industry, and I believe, and I can go no further, that this committee would find that it has been administered in a way which is inconsistent with statements made to this committee by administration witnesses, and that they would find that they do contemplate liquidation of industries; that they do make decisions that this industry can be limited or put on direct relief. We felt the direct impact of what Senator Acheson—Secretary of State Acheson—stated to a committee in the last year and a half in connection with ECA that—

we must recognize that industries will be injured by these increased imports—

Senator KERR. All right now, will you furnish us——

Mr. BRECKINRIDGE (continuing):

and to the extent that they are we will put them on direct relief.

Senator KERR. Will you furnish that statement that you are now purporting to be quoting for the record and document it?

Mr. BRECKINRIDGE. I do not purport to quote it.

Senator KERR. Yes, you did.

Mr. BRECKINRIDGE. I purported to state the sense of it.

Senator KERR. You said evidence that Secretary Acheson—you first said Senator Acheson—and you then said Secretary Acheson——

Mr. BRECKINRIDGE. I corrected myself.

Senator KERR. Has given evidence to that effect. I asked you to document for the record that statement or withdraw it.

Mr. BRECKINRIDGE. I will present to the committee the statement to which I am referring.

Senator KERR. You will document it and put it in this record?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. All right.

The CHAIRMAN. All right, you will let us have it.

Senator MILLIKIN. Mr. Chairman, may I ask, is it a fact that the filbert nut industry is in a state of terrible injury?

Mr. BRECKINRIDGE. It is in a state of terrible injury, sir; it is bankrupt.

Senator MILLIKIN. Is it a fact that the filbert nut industry has attempted to invoke various steps to get relief?

Mr. BRECKINRIDGE. So far as we know every one provided by law.

Senator MILLIKIN. All right.

Now, give the Senator a brief rehearsal of the results that have come from every step that you have taken to get relief.

Mr. BRECKINRIDGE. You mean review each step?

Senator MILLIKIN. Just name them 1, 2, 3, 4, 5.

The CHAIRMAN. And please be reasonably brief. We have other witnesses.

Mr. BRECKINRIDGE. We attempted to get the Government to divert Mediterranean surpluses of filberts to food-deficit areas rather than having them dumped in the United States market.

Senator MILLIKIN. What happened?

Mr. BRECKINRIDGE. We got no relief.

Senator MILLIKIN. All right.

What next?

Mr. BRECKINRIDGE. We attempted to get the State Department to make a gentlemen's agreement with the exporting countries for them to voluntarily limit their exports to the United States.

Senator MILLIKIN. What happened?

Mr. BRECKINRIDGE. We got no relief, and the State Department stated that they had no authority to do so.

Senator MILLIKIN. What next?

Mr. BRECKINRIDGE. The next we asked for a tariff increase in connection with the Geneva negotiations, and the State Department stated that they had never used the trade agreements to increase the tariff, and that they probably never would because it was not designed for such.

Senator MILLIKIN. That is where they suspended your application; that is where your application was suspended long enough so that they could complete an agreement at Annecy?

Mr. BRECKINRIDGE. No; that was not that case; no, sir.

Senator MILLIKIN. Still another one, all right. Tell us the other one.

Mr. BRECKINRIDGE. Then, following that, we tried to get and applied for an increase in the duty under section 336 of the Tariff Act of 1930.

Senator MILLIKIN. What happened?

Mr. BRECKINRIDGE. That case was once dismissed. Then we reapplied, and then it was held by the Tariff Commission until after the Annecy agreement was completed, and they said because of the Annecy agreement, because unshelled filberts will be included in the agreement, they are legally prohibited from investigating.

Senator MILLIKIN. You have brought your matter before the proper committees of Congress again and again?

Mr. BRECKINRIDGE. Again and again, sir.

Senator MILLIKIN. What has happened?

Mr. BRECKINRIDGE. We have had a great deal of sympathy from the Congressmen, but no action by the administration to give us relief.

Senator MILLIKIN. You have been denied information on what has been going on at the Department subsequent to the time that you have supplied information to the Committee for Reciprocity Information?

Mr. BRECKINRIDGE. To the Tarriff Commission and the Commission or the Committee for Reciprocity Information.

Senator MILLIKIN. Subsequent to the time that you gave the facts to, what do they call this outfit?

Mr. BRECKINRIDGE. The Committee for Reciprocity Information.

Senator MILLIKIN. That is right; the Committee for Reciprocity Information.

Mr. BRECKINRIDGE. Yes, sir.

Senator MILLIKIN. And you have been denied knowledge of what, of the considerations that have influenced the judgments that have affected your business, is that correct?

Mr. BRECKINRIDGE. Yes, sir.

Senator MILLIKIN. You are aware of the fact, as you have stated in your testimony, that that information has been denied to this committee?

Mr. BRECKINRIDGE. Yes, sir.

Senator MILLIKIN. I suggest to you that those facts might horrify some one on this committee.

Mr. BRECKINRIDGE. I believe they would, sir.

Senator KERR. For the record, Mr. Chairman, this member of the committee was questioning the witness with reference to horrifying facts which he said were not known, and which the committee could find. I want to ask him one further question.

Senator MILLIKIN. Perhaps the witness considers that it is horrifying that he cannot find it.

Senator KERR. I take it that the witness is perfectly able to tell us whether he is thinking——

Senator MILLIKIN. The distinguished Senator has been much dissatisfied with the witness' statement.

Senator KERR. No, I have been very curious.

What is the present import tariff on filbert nuts?

Mr. BRECKINRIDGE. On unshelled it is 5 cents per pound; on shelled it is 8 cents per pound, Senator.

Senator KERR. How much has that been reduced by the trade agreements?

Mr. BRECKINRIDGE. The duty on shelled has been reduced from 10 cents to 8 cents per pound in an agreement with Turkey in 1939, and may be reduced to 4 cents, could be reduced to 4 cents per pound in the current negotiations at Torquay.

Senator KERR. How much has it been reduced?

Mr. BRECKINRIDGE. From 10 to 8 cents, sir.

Senator KERR. From 10 to 8? That is the shelled?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. Is that right?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. How much has the unshelled been reduced?

Mr. BRECKINRIDGE. The unshelled duty has not been reduced. It was bound at the existing rate of 5 cents per pound in the Annecy agreement, which prohibited us from proceeding to get an increase to 7½ cents under section 336 of the Tariff Act of 1930.

Senator KERR. But the question I am asking you is how much it has been reduced.

Mr. BRECKINRIDGE. It has not been reduced, but it is in a trade agreement by way of a binding which has the same legal effect so far as relief through section 336 is concerned.

Senator KERR. And that agreement is that it shall be kept as it was included in the Tariff Act of 1930?

Mr. BRECKINRIDGE. That it should be kept at the rate of 5 cents per pound, which is the rate provided in the Tariff Act of 1930.

Senator KERR. Yes, sir.

Then, is the answer to my question, "Yes"?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. What is the present market value of the shelled filbert, present retail price?

Mr. BRECKINRIDGE. The present retail price I could not state, sir.

Senator KERR. Do you know what the present price to the grower is, or does he sell it shelled?

Mr. BRECKINRIDGE. He sells it shelled and unshelled. The present price to the grower is substantially below parity; as to the exact price at which it is selling now; no, sir.

Senator KERR. Well, is it 6 cents per pound or 60 or 20?

Mr. BRECKINRIDGE. No, sir; what they are selling at today I do not know.

Senator KERR. You do not know?

Mr. BRECKINRIDGE. No, sir. But they are selling at below parity.

Senator KERR. But the horrifying results to which you have referred have come about insofar as any positive action by the State Department is concerned, by their reduction of the import duty on the shelled filbert from 10 to 8 cents, on the one hand, and by their failure to increase the import duty on the unshelled filbert from 5 cents to 7½ cents.

Mr. BRECKINRIDGE. I do not—my reference to horrifying was that the committee would be horrified, and that was in connection with what they would learn concerning the manner in which this act has been administered in the case of filberts, not in connection with what they sell for specifically today.

Senator KERR. I understood you to answer the question by the Senator from Colorado to the effect that the industry was horrified at the condition in which it found itself, and in the lack of relief that had been denied it. Was I in error there?

Mr. BRECKINRIDGE. I did not say the industry was horrified; I said the industry was bankrupt and on the verge of being liquidated.

Senator KERR. And that insofar as the State Department has been concerned, it has been because, or their contribution to it has been, No. 1, a reduction of the import duty on the shelled filberts from 10 cents a pound to 8 cents a pound, and their failure, on the other hand, to increase the duty on the unshelled filberts from 5 cents to 7½ cents.

Mr. BRECKINRIDGE. That is part of it, sir; together with the blocking of possible relief in every other area, such as section 22, or such as the tariff increase under the Trade Agreements Act.

Senator KERR. But so far as concrete results are concerned, those have been the things that constitute the matter about which you complained.

Mr. BRECKINRIDGE. No, sir, not all of them: no, sir. We were refused relief in connection with diverting the Mediterranean surplus to food deficit areas rather than dumping them here.

We were refused relief when we asked for a voluntary agreement with the foreign countries to limit their exports to the United States.

We were refused a tariff increase in 1947 when we asked for it under the Trade Agreement Act. We were refused relief under section 336, prior to the time that there was a trade agreement on unshelled filberts.

We were again refused, and our application was held until an Annecy agreement was completed with unshelled filberts in it which, in effect, legally prohibited us from that relief.

Senator KERR. But the extent of what they had done to you under the act has been what I stated.

Mr. BRECKINRIDGE. Plus the fact that they are so administering other laws as to ignore them when they are inconsistent with the Trade Agreements Act.

Senator KERR. That is, other things that they have not done for you, as I understand it?

Mr. BRECKINRIDGE. That is correct, sir; that they have failed to provide relief in cases where Congress has provided for relief under certain circumstances.

Senator KERR. But the things that they have done to you are what I have stated.

Mr. BRECKINRIDGE. Actually on trade agreements, the only thing they have done is to reduce the duty from 8 to 10 cents——

Senator KERR. You mean from 10 to 8 cents.

Mr. BRECKINRIDGE. Yes, that is right; thank you for correcting me. Reduced the duty from 10 to 8 cents on the shelled, and bind the unshelled duty at 5 cents per pound.

Senator KERR. All right.

The CHAIRMAN. All right. Thank you very much for your appearance. If there is nothing else, thank you very much.

Mr. BRECKINRIDGE. Thank you, Senator, for the opportunity to appear, and we hope the committee might decide to make a test case and investigate how this has been administered pertaining to this one particular industry.

The CHAIRMAN. We have a recommendation in full before us, and we will give it consideration.

Mr. BRECKINRIDGE. Thank you very much, Senator. I have here a short prepared statement which Mr. Melden had. We would appreciate it if that could be put in the record at this point.

(Mr. Melden's statement is as follows:)

STATEMENT OF ROBERT L. MELDEN, ASSISTANT GENERAL MANAGER OF THE NORTHWEST NUT GROWERS, DUNDEE, OREG.

I am Robert L. Melden, assistant general manager of Northwest Nut Growers of Dundee, Oreg. Northwest Nut Growers is a cooperative organization representing approximately 2,400 filbert growers in Washington and Oregon. Virtually 100 percent of the commercial filbert production in the United States is concentrated in those two States. There is a total of about 5,000 growers engaged in the production of filberts.

American-grown filberts are competitive to practically all of the other principal tree nuts (almonds, walnuts, cashews, pecans, and Brazil nuts) but more importantly and more directly to foreign-produced filberts which are imported into this country. Filberts are grown in most all Mediterranean countries but the principal foreign producing sections are Spain, Italy, and Turkey.

We would like to give you a brief background of the import situation during the past few years. The average annual imports during the five prewar years, 1935–39, were just under 2,000,000 pounds unshelled. During the early war years, of course, imports to this country were all but completely cut off but beginning with the years 1943 and 1944 filberts again began to flood this market. It was not long until the annual volume of imports was far in excess of prewar years. For example, during the 1946–47 season there were approximately 2,600,000 pounds of unshelled filberts and nearly 10,000,000 pounds of shelled filberts brought into the United States, almost five times the prewar volume of imports on top of an expanding domestic production—making an entirely unsalable surplus at anything like a fair price to American growers.

As a result of this terrific influx of filberts from abroad, the 1946 domestic crop could not be completely disposed of in normal trade channels. Consequently after the regular marketing season had ended a very sizable carry-over was on hand and had to be sold to speculators at fire-sale prices. Then when the 1947 crop was ready for market the industry was confronted with the 1946 carry-over and again very substantial quantities of imported filberts. During the regular 1947 selling season, the domestic industry moved little more than 50 percent of its crop and it became necessary to shell the remaining 50 percent. Upon seeking market outlets for the shelled filbert we again ran into huge quantities of Turkish shelled filberts which had been imported into this country at very low prices—prices far below the cost of production in the United States. Returns on the shelled filberts did not even pay the cost of harvesting and processing.

In the spring of 1948 we appealed to the Commodity Credit Corporation for a school-lunch purchase program. This resulted in a sale to the Commodity Credit Corporation of almost a half-million pounds of shelled filberts. It should be

mentioned here that the domestic industry normally suffers a very substantial loss in returns whenever it is necessary to shell filberts because of the very heavy imports of shelled filberts from Turkey. The greatest return, in other words, to the growers is from the sale of filberts in the shell. This, of course, is again a result of our having to meet the competition from abroad.

As a direct result of the difficulties experienced in marketing the 1946 and 1947 filbert crops we learned an important lesson. That lesson was that in order to market our domestic unshelled filberts we must price them low enough to discourage importers from bringing unshelled filberts into the country, primarily from Italy. These prices during the past few years have been so low that the American grower had not been able to obtain his cost of production. The policy mentioned, however, has been successful since there have been very few unshelled filberts imported during the past 3 years. The point I am trying to make here is that it is not necessarily the importation of filberts which creates the problem but it is the threat of such unlimited importations. The most important single factor considered each fall in setting our opening prices is this threat of foreign filberts, and our estimate of the price at which they will be discouraged from coming in.

As already mentioned our shelled filberts must be low enough to compete with shelled filberts from Turkey. In the case of shelled filberts there has been no effort on our part to keep imports out such as we have done in the case of unshelled filberts. For example, during the 1949 season over 6,000,000 pounds of shelled filberts were imported into the United States.

Our present duty on shelled filberts is 8 cents per pound. This was reduced from 10 cents in a trade agreement negotiated with Turkey in 1939. Shelled filberts are again on the list for negotiations at Torquay and another 4 cents per pound cut in duty is entirely possible. The duty on unshelled filberts has been bound at 5 cents per pound as a result of an agreement with Italy during the Annecy Conference in 1949. The reduction in the duty on shelled filberts simply reduced our selling price by 2 cents per pound. In the case of unshelled filberts the door has been closed with respect to any relief we might hope to gain, as has been the case with shelled filberts.

Since 1946 returns to the domestic producers have been far below the cost of production. Needless to say these costs have been increasing each year and unfortunately the returns have been decreasing. In 1949, for example, the return to the grower was only 38 percent of parity. There can be no question but what imports are directly and absolutely responsible. This industry has been very seriously hurt. It is bankrupt. It is going out of business rapidly unless some relief can be obtained. Already there are many orchards being bulldozed out and many, many others are simply being neglected and will have to be removed eventually.

Our industry strongly supports the peril point, escape clause (sec. 7 of H. R. 1612), and a revised parity amendment as suggested by Mr. Loos (sec. 8 of H. R. 1612). To save time we will not go into detail on these amendments but heartily endorse the statements made thereon to this committee by Mr. Strackbein, of the Labor Management Counsel on Foreign Trade Policy, and Mr. Anthony, of the American Tariff League. We also urge the committee to adopt amendments to require the cancellation of an agreement when the other party to it withdraws a substantial portion of its concessions to us, and to restore the provisions of the 1930 Tariff Act permitting American producers to obtain court review of tariff classifications.

We endorse the statements which Mr. Karl Loos made to this committee concerning these amendments earlier this week.

We should like particularly to dwell a moment on section 22 of the AAA Act and section 336 of the Tariff Act of 1930 because of our own peculiar experience with them. Our industry has been there. We have been clear through the wringer. For example, in January 1949—before unshelled filberts were included in a trade agreement with Italy at Annecy, France, later that year—the filbert industry petitioned the Tariff Commission under section 336 for a cost-of-production study and a 2½ cent-per-pound increase in duty. Our Application was summarily dismissed without reason. Subsequently we reapplied, in September 1949. This application was left pending until May 4, 1950, at which time it was dismissed—for this reason, and we quote directly from the public notice issued by the Tariff Commission:

"The application was dismissed because filberts, not shelled, have been included in the Annecy agreement which was concluded under the Trade Agreements Act. Section 2 (a) of that act forbids the application of section 336 to such articles The concession was negotiated with Italy."

We are prohibited of course from any action under section 336 with respect to shelled filberts, due to the trade agreement in effect with Turkey since 1939. We were confident that a section 336 investigation would have indicated that considerably more than a 2½-cent disparity existed between our domestic costs and foreign costs. However, we were never successful in getting the Tariff Commission to undertake such a study.

During the course of our negotiations under section 336, the Tariff Commission agreed that we were being injured—even suggested that perhaps our best bet would be to seek relief under section 22. We had, however, already applied to the Secretary of Agriculture for quotas in September of 1948. In fact, altogether, we applied three different times for quotas. In the fall of 1949 the Department of Agriculture instituted a marketing agreement and order program, and eventually the Department of Agriculture recommended a section 22 quota investigation. It was begun by the Commission early in 1950 but so far there has been nothing tangible forthcoming.

Thus our industry has had actual experience in seeking relief under both section 22 and section 336. That experience has convinced us that it is administration policy that section 22 is inconsistent with trade agreements and it is, therefore, not to be used—that it is to be purposely ignored. Our people are completely mystified at the spectacle of administration policies which encourage the importation of foreign-produced nuts on the one hand, while at the same time, providing for machinery to regulate and restrict the supply of domestic nuts. It is a completely hopeless task to make our marketing order work effectively without a companion control on imports. A program to divert 20, 25, or 30 percent of the domestic crop from the market is simply an invitation to foreign filberts to replace them and the purpose and objective of the marketing agreement and order issued by the Secretary of Agriculture is completely nullified. We are certain that, if our industry and others like it are ever to get relief under section 22, it must be amended as proposed by Senator Magnuson. We believe that it is imperative that trade agreements be changed to conform to section 22 rather than vice versa. It seems to us that no one could have a more perfect case under both section 22 and section 336 than has our industry, and still we have secured no relief whatsoever. We don't know where else to turn except to this committee. We are firmly convinced that our only relief must be secured through legislative correction. And unless relief is given, gentlemen, our industry is doomed—not only the five-thousand-odd growers but the many thousands of other people that derive their livelihood from the industry.

The CHAIRMAN. Mr. Riggle? You may be seated, if you wish, please.

STATEMENT OF JOHN J. RIGGLE, ASSISTANT SECRETARY, NATIONAL COUNCIL OF FARMER COOPERATIVES

Mr. RIGGLE. Mr. Chairman, my name is John J. Riggle, assistant secretary of the National Council of Farmer Cooperatives, which is located at 744 Jackson Place, NW., which is comprised of farmers' associations in the United States marketing farm products and purchasing farm-production supplies. They are engaged in domestic and foreign trade, both export and import. Such farm products as livestock, feed, dairy products, poultry and eggs, grains, rice, cotton, tobacco, wool, citrus, deciduous fruits, vegetables, coffee, nuts, honey, mushrooms, potatoes and their processed products, are marketed by member associations.

As a matter of policy, the National Council 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 agricultural industry of the Nation as it affects the public welfare.

The strength of the Nation, we believe, lies in a flexible but fundamental diversification and balance in production and consumption of agricultural products and other raw materials on the one hand, and

industrial products on the other. Other nations have never attained this balance at such a high level of production and consumption and hence have never reached the economic stature of the United States. The income from agricultural production and processing has contributed most substantially to capitalizing the Nation's economic structure and the employment of people, and has furnished a great share of the markets for both hard and soft industrial goods. We have never maintained domestic and international prosperity when agriculture and raw-materials industries were in a slump.

We are neither extreme nationalists nor internationalists if we believe that the present status of domestic and world affairs requires that we maintain stability and balance in our domestic agriculture, industry, and the other phases of our economic activity. The general participation of all groups in policy making for production and for use of our production, is fundamental.

This follows in international trade arrangements as well as in domestic affairs. We believe that scrutiny of such arrangements should be brought close to the people through their elected representatives. At the present time foreign economic policies are being developed by appointive personnel largely five or six degrees removed from direct responsibility to the electorate. We respectfully urge that the United States Senate, as elected representatives of the people, be given the responsibility of reviewing the effect of trade treaties negotiated under the Trade Agreements Act, and have the opportunity of rejecting them if their content conflicts with the public interest.

We believe that the criteria required by statute to be used in negotiating trade agreements should include a provision that no agricultural commodity should be included on a bargaining list for negotiation the actual or potential production of which is certified to be equal to domestic requirements or a substantial portion thereof, or to be necessary to national defense. The certification could well be made by the Secretary of Agriculture in the one case and by the Secretary of Defense in the other.

We believe also that the statute should require that for United States participation, each trade agreement shall contain a revised escape clause providing that when the importation of any product causes or threatens to cause serious injury to a domestic industry or its employees, any nation party to the agreement may, to the extent and for the period necessary, suspend, modify or withdraw the concession. We believe a revised escape clause is necessary in order that we can maintain investments in diversified production, and secure the jobs of workers against the drives from without the country to seize a market already economically and substantially served.

In furtherance of this function we believe that the Tariff Commission should be maintained strictly as an agency of Government for the rapid determination of primary trade factors and their effect on the domestic economy, for the use of Congress, of the executive agencies and of the general public. To this end its members should be relieved of any responsibility in the negotiation of trade agreements in order that commitments during negotiations shall not embarrass them in subsequent fact-finding operations. As an impartial fact-finding agency of unquestioned authority, the Tariff Commission can make its most valuable contribution to maintaining our economic stability in a rocking international situation.

Section 22 of the Agricultural Adjustment Act was devised to permit the President to invoke import fees on quotas whenever imports of an agricultural commodity interfered or threatened to interfere with the successful operation of a Government market or production support program.

A recent amendment to that section provides that no fee or quota can be established in contravention of a trade agreement or treaty with a foreign country.

Senator MILLIKIN. It says "treaty or agreement."

Mr. RIGGLE. Yes.

Senator MILLIKIN. Something else might have been contemplated, and that is all I am suggesting.

Mr. RIGGLE. We urge that paragraph (f) of section 22 of the Agricultural Adjustment Act, as amended by Public Law No. 579 (81st Cong.), be amended to read as follows:

> No international agreement hereafter shall be entered into by the United States or renewed, extended or allowed to extend beyond the permissible termination date in contravention of this section.

Already the foreign economic policy of the United States as projected in the Gray Report contemplates doing away with our domestic farm program where it conflicts with the importation of foreign agricultural products.

Such a policy can result only in (1) complete unbalance and deterioration in our diversified domestic production structure; (2) exposure of the Nation to the hazards of foreign procurement of food and fiber in time of war; (3) freezing and intensifying the present world patterns of overindustrialized areas on the one hand and underdeveloped agricultural and mining areas on the other. Such a program has proved as objectionable abroad as it is here. It has forced the curtailment of domestic production of such farm products as wool and the development of synthetic partial substitutes in which domestic production is protected by patent rights. It is notable that when production and supply has shifted to foreign control, through cartels and other areas of control, the cost of such products to the people of this country has risen measurably. It is in conflict with our programs of furnishing capital and technical help to underdeveloped areas, many of which are agricultural, to increase production for their own use. We cannot develop backward economic areas—whether domestic or foreign—by expanding trade in types of production which are uneconomic to start with, or should be kept at home to improve their own standard of living.

We therefore favor the enactment of H. R. 1612 as passed by the House, with such clarifications as will make it effective in accordance with the above principles, in order to true up this phase of our trade program with the objectives stated here and abroad.

The CHAIRMAN. Are there any questions? If there are no questions, we thank you, sir, for your appearance.

Mr. RIGGLE. Thank you, sir.

The CHAIRMAN. Mr. Breckinridge? Mr. Breckinridge, you are listed here for the Fountain Pen and Mechanical Pencil Manufacturers Association, is that correct?

STATEMENT OF JOHN BRECKINRIDGE, REPRESENTING THE FOUNTAIN PEN AND MECHANICAL PENCIL MANUFACTURERS ASSOCIATION, INC.

Mr. BRECKINRIDGE. Yes, sir. I just want to make a very brief statement.

First, I should state my name is John Breckinridge, attorney for the Fountain Pen and Mechanical Pencil Manufacturers Association, Inc.

Senator KERR. May I satisfy my curiosity, Mr. Chairman, by asking is this the witness we have just heard?

Mr. BRECKINRIDGE. Yes, sir.

Senator KERR. I thought he had a strange familiarity. You are the gentleman who was here a moment ago?

Mr. BRECKINRIDGE. Yes, sir.

The association consists of approximately 90 members who are individual producers of fountain pens and/or mechanical pencils or parts thereof, and they account for better than 90 percent of the entire United States production of fountain pens and mechanical pencils.

We particularly wanted to appear before the committee to relate our experience with the trade agreements program, and particularly to support the amendment, the so-called Knowland amendment, which would require cancellation of a trade agreement when a foreign country had withdrawn or otherwise nullified a substantial portion of the concession made by them to the United States.

The CHAIRMAN. Mr. Breckinridge, was that amendment offered on the floor of the House?

Mr. BRECKINRIDGE. No, sir.

The CHAIRMAN. It was not?

Mr. BRECKINRIDGE. That amendment was offered on the floor of the Senate by Senator Knowland in 1949.

The CHAIRMAN. Yes, I recall that, but I was just curious to know if it was offered in the House.

Mr. BRECKINRIDGE. No, sir; it was not.

The CHAIRMAN. All right.

Mr. BRECKINRIDGE. The first experience we had in that connection, and which convinced us that such an amendment was necessary, was in connection with the Mexican Trade Agreement under which in 1947 the Mexican Government withdrew all of the concessions that had been made to the United States under the agreement negotiated in 1942, but the concessions made by the United States were left in effect until January 1, 1951. They were finally withdrawn on January 1, 1951, after 4 years of delay.

We feel that there should be a provision in the act that would require the withdrawal or the cancellation of the agreement on the part of the United States, when it is canceled or substantially withdrawn by the other country.

Now, in that case, when Mexico withdrew the concessions and imposed additional import restrictions on practically all of their imports, they completely embargoed the imports of fountain pens and mechanical pencils containing any gold or other precious metals. That put a stop to all of our exports of pens containing gold in the point, like the Parker and Sheaffer fountain pens, or mechanical pencils, where they have gold on the pencil any place as they do, such as this one here, which has a gold-filled cap. Also on pens and

pencils not containing precious metal they raised the duty to the point where they were practically prohibitive.

In connection with our negotiations in Mexico through our agents in Mexico—and the pen and pencil companies have a large number of them because it is a large market—we learned that one of the objectives of the Mexican Government in imposing the embargoes was the hope that Parker Pen Co. and Sheaffer Pen Co. and others might build plants in Mexico to produce the pens and pencils there rather than producing them in the United States and exporting them to Mexico.

Two years later, in 1949, the association became quite concerned over the loss of foreign markets. Country after country was following the lead of Mexico and putting up additional barriers, in the form of tariffs or licenses or quotas or actual embargoes, against the importation of pens and pencils from the United States, so they formed an export committee which came to Washington. We obtained appointments with officials in the Department of State and the Department of Commerce and the Import-Export Bank and with ECA, in which we presented our problem to try to get them to do something for us to alleviate the loss and the drying up of our foreign markets. In each case we were told that, "Well, shortage of dollars abroad is serious. It probably is going to get worse," and the common theme of all the conferences was, "Have you considered building plants in the foreign countries which are your principal export markets?" In other words, have we considered exporting our employment and our production to a foreign country?

Now, we believe that because the Trade Agreements Act does not contain a provision for cancellation on our side when they are canceled or withdrawn on the other side, it has led and encouraged other countries to raise more and more barriers against imports from the United States. They know they can do it with immunity and that the United States will not reciprocate and cancel their side of the bargain.

We believe that if there were such an amendment as the Knowland amendment which would require some reciprocity, that other countries would not so readily impose restrictions and absolute embargoes against imports from the United States. We believe the trade-agreements program and the State Department have encouraged foreign countries to do that.

On the other side of the picture we have a serious import problem, too. Primarily, historically and today it has been the import of pens and pencils, or parts, from Japan. Although our principal competition has always been from Japan and always will be so far as we can judge, fountain pens were listed for negotiation with Germany in the current Torquay negotiations. We submitted a brief to the Committee for Reciprocity Information in connection with those negotiations. I would like to have the brief included in the record because it states a lot of the facts that I do not have time to state here today.

The CHAIRMAN. You may put it in the record. I hope it is not too voluminous.

Mr. BRECKINRIDGE. No; it is not voluminous; no, sir.

The CHAIRMAN. All right, you may put it in the record.

(The document referred to follows:)

FOUNTAIN PENS—VIEWS OF AMERICAN FOUNTAIN PEN INDUSTRY, BRIEF SUBMITTED TO THE COMMITTEE FOR RECIPROCITY INFORMATION, FOREIGN TRADE AGREEMENT NEGOTIATIONS WITH SEVERAL FOREIGN NATIONS AT TORQUAY, ENGLAND

(By Karl D. Loos and John Breckinridge)

Pursuant to public notices of the Secretary of State, the Interdepartmental Committee on Trade Agreements and the Committee for Reciprocity Information concerning proposed foreign trade agreement negotiations with several foreign nations at Torquay, England, the following information and views are filed on behalf of the Fountain Pen & Mechanical Pencil Manufacturers Association, Inc., and request is hereby made for permission to submit a supplemental written statement and oral views at the public hearings which open May 24, 1950, to such extent as that is deemed necessary.

STATEMENT OF THE CASE

The published list of commodities subject to tariff modification in these negotiations includes·

"Fountain pens, fountain-pen holders, stylographic pens, and parts thereof" (1930 Tariff Act, 1550 (b)).

While the above tariff paragraph refers separately to fountain pens, fountain-pen holders, stylographic pens, and parts of all three, with equal duty on all, fountain pens are by far the most important item volumewise in both production and foreign trade. This brief will include all items as "fountain pens."

The Tariff Act of 1922 provided a duty of 72 cents per dozen and 40 percent ad valorem on fountain pens. The Tariff Act of 1930 did not change these rates, nor have they been changed in any foreign trade agreement to date.

SUMMARY OF TARIFF VIEWS

For a considerable time before the Tariff Act of 1922 and up to the disruption of foreign trade by the Second World War (1939), Japan was consistently and overwhelmingly the principal supplier of imported fountain pens. For this reason the above-mentioned tariff rates were fixed by the Tariff Act of 1922 and left unchanged by the Tariff Act of 1930 in order to offset the unfair competitive advantage which otherwise would have been enjoyed by Japanese producers by reason of the ridiculously low wage rates paid in Japan in comparison with the prevailing wage rates in the United States.

These tariff rates were designed to equalize the costs of producing fountain pens in Japan and in the United States and to permit Japanese fountain pens to come into this country on a fair competitive basis, not at an unfair competitive advantage over American-produced fountain pens.

Wage rates in the United States and the living standards of American labor have increased enormously since the original enactment of these tariff rates in 1922. In more recent years the United States Congress has enacted two minimum-wage laws forcing an increase in the average wage rates and cost of production of the American fountain-pen producers. A recent act of Congress set the minimum wage rate at 75 cents per hour which has currently further increased wage rates and cost of production of American fountain-pen producers. While Japanese wage rates and costs of production have increased since 1922, it is common knowledge that they have not increased proportionately with American wage rates. Consequently, the gap between Japanese and American costs of production is now greater than it was in 1922 and 1930.

The American fountain-pen producers are opposed to any reduction in these tariff rates. Because of the constantly widening gap in production costs and the increasing competitive advantage enjoyed by Japanese producers over American producers, the domestic pen manufacturers believe that any adjustment in these tariff rates should be upward as contemplated by the Trade Agreements Act and the above-mentioned notices which state:

"The following list contains descriptions of articles imported into the United States which it is proposed should be considered for possible * * * imposition of additional import restrictions, or specific continuance of existing customs or excise treatment * * *."

The American fountain-pen manufacturers are also opposed to any binding of the fountain-pen tariffs because they feel that their right should be preserved, under current conditions of increasing costs, declining domestic and export demands, and postwar readjustment, to apply to the Tariff Commission for an

increase in these tariffs under the provisions of section 336 of the Tariff Act of 1930 if that should prove necessary.

In this postwar period of readjustment and rapidly changing conditions of costs and demand, the American fountain-pen producers do not consider the escape-clause provisions of trade agreements adequate protection or one that can be exercised with sufficient rapidity to meet the potential dangers facing them. Even without any change in the existing tariff rates, it is anticipated that imports from Japan, Germany, and other dollar-hungry countries will increase at an alarmingly injurious rate and this in the face of domestic conditions which have already made it necessary for the fountain-pen industry to undergo a serious curtailment of production and employment.

Historically, for many years prior to the Second World War, Japan was by long odds the principal supplier of fountain-pen imports and she will undoubtedly regain that position in the very near future because her wages and production costs are substantially lower than those in Germany, the United Kingdom, and other fountain-pen producing countries. Japan is not included among the countries with which these trade agreements are to be negotiated. Under such circumstances no modification of the fountain-pen tariffs should be considered in these negotiations. The principal benefit would be to Japan rather than to any of the negotiating countries.

The American fountain-pen industry includes 184 producing companies and is characterized by small-business producers widely distributed throughout the United States. The great bulk of these 184 producing companies make the lower-retail-priced fountain pens ($1 and less) which constitute the greatest volume of American production and American consumption (75 percent). They are consequently particularly susceptible to competition from Japan and other low-cost countries and are particularly susceptible to injury from any reduction in the existing tariff rates and the consequent invitation to increasing imports.

The American fountain-pen industry produces a surplus of the various price range fountain pens (from 10 cents each to $125 each) and there is, therefore, absolutely no room for absorption of imports into the United States market without the displacement of American production and employment.

The only possible effect of a reduction in fountain-pen tariffs and the invitation of increasing imports, will be to reduce production and employment in the American fountain-pen industry in order to make way for Japanese and other imports.

In the past 2 years both domestic and import demand for fountain pens has fallen off drastically and there is no possible way of increasing imports of fountain pens without reducing production and employment in the American industry, along with the parallel effect of depressing American prices, profits and the wages of those who do remain employed.

The fountain-pen industry, which was a substantial exporting industry, has, since the war, been confronted abroad with an avalanche of increased tariffs, quotas, and particularly embargoes imposed by foreign countries normally purchasing American fountain pens. In the past 2 years the value of American fountain-pen exports has dropped from $27,000,000 to $8,000,000. This drop in exports has been accompanied by a substantial reduction in domestic demand. This is certainly no time to reduce tariffs and encourage imports into an already oversupplied market.

THE FOUNTAIN PEN & MECHANICAL PENCIL MANUFACTURERS ASSOCIATION, INC.

The American fountain-pen industry is an integral and inseparable part of the American fountain-pen and mechanical-pencil industry. The production of fountain pens and mechanical pencils goes hand in hand.

This brief is presented by the Fountain Pen & Mechanical Pencil Manufacturers Association, Inc., with headquarters in New York, N. Y. This association is composed of 88 fountain-pen and mechanical-pencil manufacturing companies including the leading manufacturers of fountain pens of every type and in every price range from the lowest to the highest (10 cents each to $125 each). The membership of the association represents approximately 85 percent of the total domestic fountain-pen production, as well as the same percentage of the mechanical-pencil production. It includes all of the leading manufacturers of fountain pens.

AMERICAN FOUNTAIN-PEN INDUSTRY

There are in the United States 184 separate companies producing fountain pens (and mechanical pencils). The number of producing companies has increased from 55 in 1937 and 70 in 1939 to 184 in 1947 (1947 census of manufacturers).

Six thousand two hundred and seventy-nine persons were employed in 1939 and this number increased to 15,553 in 1947. It has fallen off somewhat since 1947 due to declining domestic and export demand and resultant decline in production.

The value of fountain pens and mechanical pencils (and parts thereof) produced during 1947 was $137,574,000, f. o. b. plant (pens $106,965,000; pencils $30,609,-000). This compares with $25,970,000 in 1937 and $24,881,000 in 1939.

For fountain pens alone, in 1947, the industry produced 5,759,750 dozen with an f. o. b. plant value of $106,965,000 (see exhibit A). This increase in both quantity and value over prewar production and values is partially due to increased prices in the lower-price ranges (there have been no price increases in the higher-price ranges) but more specifically due to the necessity of supplying the pent-up demand both at home and abroad accumulated during the war. Again, the millions of GI students increased the use of fountain pens and other writing instruments substantially after the war.

The peak of both demand and production was reached during 1947 and since that time both have fallen off sharply. The exact quantity and value of fountain pens produced since 1947 is not known. It is estimated that the current 1950 rate of production will produce approximately 75 percent of the 1947 quantity and approximately 60 percent of the 1947 value. Of course this curtailment in production has necessitated a curtailment in employment of approximately similar proportions.

CHARACTERIZED BY SMALL-BUSINESS PRODUCERS

The following table (1947 census of manufacturers) shows the distribution of the 184 fountain-pen companies broken down by number of employees.

Number of employees:	Number of companies
1 to 4 employees	42
5 to 9 employees	34
10 to 19 employees	28
20 to 49 employees	39
50 to 99 employees	16
100 to 249 employees	14
250 to 499 employees	6
500 to 999 employees	1
1,000 to 2,499 employees	3
2,500 and over	1

Thus, it is apparent that the fountain-pen industry is dominated by a large number of small producers, among which competition is quite keen.

WIDELY DISTRIBUTED THROUGHOUT UNITED STATES

The following table shows the distribution of fountain-pen manufacturers throughout the various sections of the United States, together with the number and salaries for all employees by sections and the number and wages of production and related workers for the various sections.

Distribution of fountain pen (and mechanical pencil) manufacturing companies and employees, 1947

Distribution	Number of companies	All employees		Production and related workers		
		Number (average for the year)	Salaries and wages, total	Number (average for the year)	Man-hours, total	Wages, total
New England	26	813	$1,908,000	741	1,462,000	$1,365,000
Middle Atlantic	94	4,126	10,484,000	3,427	6,987,000	7,493,000
North Central	43	9,051	25,146,000	7,064	13,762,000	17,471,000
South	9	1,359	2,429,000	1,145	2,207,000	1,569,000
Pacific	12	199	639,000	150	287,000	309,000
Total	184	15,553	40,606,000	12,527	24,705,000	28,207,000

Source: 1947 census of manufacturers.

The industry is widely distributed throughout the United States, with the heaviest concentration in the Middle Atlantic and North Central States.

EMPLOYMENT YEAR-ROUND AND FAIRLY CONSTANT

Employment in the fountain-pen industry is year-round and fairly constant. The following table shows the distribution of employment by months during 1947 which is representative of employment distribution in other years.

	Number of employees		Number of employees
January	16, 902	August	13, 381
February	17, 717	September	13, 626
March	17, 700	October	14, 836
April	17, 102	November	15, 342
May	15, 991	December	14, 898
June	15, 149		
July	13, 869	Average for 1947	15, 553

Source: 1947 census of manufacturers.

THREE-FOURTHS OF INDUSTRY PRODUCING FOR LOW RETAIL PRICE RANGE—$1 AND LESS

The great bulk of the American fountain-pen production is for sale in the low retail price ranges where vulnerability from increasing imports from Japan and other low-cost countries is greatest. Approximately 75 percent of the fountain pens produced in the United States sell for $1 or less. Approximately 20 percent of the American production sells for less than $5 but more than $1. Only about 5 percent of the American production retails for $5 and more.

It is also significant that the low-priced pen producer is more vulnerable and will be forced to suffer more in lost production and employment resulting from diminishing foreign markets for American fountain pens. The high-priced American fountain pen has a well-established place in practically all foreign markets to such extent as foreign countries will permit their entry. However, in the case of the low-priced pens, foreign countries will turn to the lower-cost Japanese and other foreign-produced fountain pens as the Japanese and other foreign pens manufacturers recover their production and regain their place in the world export markets.

Increasing imports into the United States would be particularly injurious to the producers of low-priced fountain pens.

HISTORICALLY AN EXPORTING INDUSTRY

The American fountain pen industry has always been a net exporting industry (see exhibit A). However, the exports have usually been in the higher price ranges whereas the imports have been in the lower price ranges. The higher-priced United States fountain pens have probably the best reputation for quality and durability in foreign markets of any fountain pens in the world. World demand for them is well established if only foreign governments will permit their entry.

Recently, most of the important foreign markets are imposing more and more stringent and discriminatory restrictions on imports of American fountain pens. Many have imposed embargoes. At the same time these countries have looked to other foreign countries for supplies of low-priced fountain pens and other writing instruments. Many are establishing their own plants.

The American fountain-pen industry is probably the most efficient and highest quality producer in the world. However, by the very nature of the industry it cannot be sufficiently mecanized or production-lined to overcome, in unit costs, the lower foreign wages (particularly Japanese) especially in the low price ranges. Approximately 40 percent of fountain-pen production costs are labor costs.

Modern foreign factories have equipment and production methods as good as those in America and an adequate tariff on imports into the United States is the only means of equalizing foreign and domestic unit production costs.

More and more foreign countries are developing fountain-pen industries through embargoes or quotas on imports or are attempting to force American companies to establish plants in their countries.

Prior to the war lower foreign wages and import restrictions forced many American companies to establish plants in Canada, England, and Germany. Since the war American companies have been forced to establish plants in Brazil and France. All of this, of course, has forced the transfer of production and employment from the United States to foreign countries. The trend is continuing at an alarming rate.

American producers are forced to rely more and more on the domestic market and cannot afford to surrender any of it to foreign production and imports. The American producers feel they have contributed enough to foreign countries by investing and establishing plants there without also surrendering the American market to unfair imports.

HIGH WARTIME DEMAND

During the recent war the American fountain-pen industry furnished a substantial portion of its increasing production to the Armed Forces of the United States. While in the Army or serving the Armed Forces of the United States, many Americans improved their educational and cultural level. Their demand for and use of fountain pens and other writing instruments consequently increased. Also, many Americans were placed, during the war, in positions requiring more use of fountain pens and writing instruments than theretofore. The use of fountain pens and other writing instruments in war and related industries expanded tremendously.

As a result of these developments, a substantial portion of the American fountain-pen production went to the Armed Forces and war industries. The Government repeatedly favored the industry by making materials and production equipment available to the industry so that it could meet this increasing demand for an essential war commodity.

The increasing quantities being taken by the Army and war industries together with the war disruption of production abroad made it impossible to adequately supply civilian demands in America and abroad during the war.

IMMEDIATE POSTWAR EXPANSION TO MEET PENT-UP DOMESTIC AND EXPORT DEMAND

The increasing number of fountain pens required by the American and Allied Armies and war industries during the war, resulted in a tremendous pent-up demand among civilians both at home and abroad for fountain pens and other writing instruments. This demand was coupled with the purchasing power to make such demand effective.

Immediately upon the reduction of the Armed Forces and war industry demands and with the relaxation of production controls, the production and sale of fountain pens to civilians increased rapidly, both here and abroad.

Consequently, the American industry expanded its facilities substantially to meet this demand and did meet it at reasonable prices. The price of low-retail-priced pens did increase somewhat along with rapidly increasing production costs. However, it is notable that none of the producers of the higher-priced fountain pens increased their prices. The higher-priced pens still retail at the same prices they did before the war.

As late as 1947 the fountain-pen and mechanical-pencil industry spent $3,865,000 for expansion of plant and equipment in order to meet the increased demand at reasonable prices.

THE PEAK OF DEMAND AND START OF DECLINE IN BOTH DOMESTIC AND EXPORT DEMAND WAS 1947

The peak of postwar demand was 1947. However, during that year the weakening of effective demand in both the domestic and export markets became perceptible and the industry recognized the necessity for a belt-tightening readjustment.

As heretofore pointed out the fountain-pen and mechanical-pencil industry reached its peak in both production and employment in 1947. In that year it employed 15,553 persons with total salaries and wages of $40,666,000, and produced 11,626,750 dozen fountain pens and mechanical pencils valued at (together with minor amounts for separate parts) $137,574,000 f. o. b. plant (1947 Census of Manufacturers).

For fountain pens alone, during 1947, the industry produced 5,759,750 dozen fountain pens valued at $106,965,000 f. o. b. plant. This compares with the prewar production of 2 to 3 million dozen fountain pens valued at 12 to 14 million dollars. (See exhibit A.)

However, before the end of 1947 it became apparent that the immediate postwar pent-up demand was being saturated and the industry began bracing itself for the belt-tightening readjustment and consequent curtailment of production and employment.

AMERICAN DEMAND DECLINING

Since 1947 our domestic demand for fountain pens has fallen off sharply. During 1947 the supplying of the immediate postwar pent-up demand was saturated and the purchase of new units began to fall off drastically. Fewer former GI's are now going to college and this has caused a substantial decline in the purchase of new fountain-pen units. These developments have been accompanied by a general decline in economic and purchasing power level of the American public and a pronounced increase in the psychology of cautious spending throughout the American public. This has resulted in an across-the-board decline in the purchase of new fountain-pen units and in the replacement of old units. Much of the decline in value of sales has been a shift from the higher-priced fountain pens to the lower retail price ranges. Today most of the small producers of fountain pens are hard-pressed to stay in business. With the declining demand and prices they have been faced with increased costs caused by the recent act of Congress increasing minimum wages to 75 cents per hour.

Exact figures on recent production and employment throughout the industry are not available. However, it is estimated that, from the peak of 1947, employment has declined 15 percent; total salaries and wages paid 25 percent; number of fountain pens produced 20 percent, and the value of fountain pens and parts produced 40 percent.

Total salaries and wages paid have declined more than employment due to an effort of the industry to spread the work. The value of production has decreased more than the volume of production due to a shift from higher priced to lower priced fountain pens and because of a general price decline in all fountain pens except in the top retail price ranges.

LOSS OF EXPORT MARKETS CAUSING SERIOUS INJURY TO AMERICAN PRODUCERS

Beginning in 1947 Mexico, one of America's principal export markets, increased her tariffs by 500 to 1,300 percent on fountain pens and pencils not containing precious metals. At the same time, she imposed an absolute embargo on the importation of any fountain pens or pencils containing precious metals, even if the precious metal were contained only in the writing point for functional and durability purposes. (See the Parker Pen Co. brief submitted to this committee on February 18, 1948, in connection with the proposed renegotiation of the 1942 Mexican trade agreement.) In addition to the imposition of increased tariffs and embargoes on American fountain pens and pencils, Mexico during 1947 withdrew every single concession made to the United States in the 1942 trade agreement and imposed embargoes or increased their tariffs on every trade agreement item beyond the rates existing in 1942 prior to the agreement. In other words, Mexico withdrew every concession made to the United States in the agreement. Yet, all of the concessions granted to Mexico in 1942, to the detriment of American producers, still remain in full effect even though Mexico has consistently refused since 1947 to readjust her tariffs or make any concessions to the United States.

Inquiries by agents of American fountain pen and pencil companies in Mexico, after the imposition of these import controls, developed statements of prominent Mexican Government officials that they hoped, by the imposition of the embargoes and increased tariffs, to force American pen and pencil manufacturers to establish plants in Mexico.

Since Mexico was able to get away with this action with a winking and implied consent by the United States State Department, foreign countries all over the world, normally large importers of American fountain pens and pencils, have rapidly followed suit by imposing embargoes, quotas, increased tariffs, adverse exchange regulations, and import license requirements and every other conceivable means of embargoing or restricting imports of American fountain pens and pencils.

All of the foreign governments, and even our own State Department, ECA and the Department of Commerce give only the stock answer of dollar shortage. However, from the industry's correspondence and personal contacts in numerous foreign countries, the industry is overwhelmingly convinced that dollar shortage is used merely as an excuse to camouflage the real reason, which is to encourage and foster the development of pen and pencil industries in these foreign countries, to encourage the purchase of pens and pencils from countries other than the United States and/or to force American pen and pencil manufacturers to establish plants in such foreign countries. The American industry is convinced that there is afoot an organized plan among foreign countries, with the wink and blessing of the

United States State Department and ECA, to transfer American production and employment to foreign countries.

These policies of foreign governments, and even of our own Government, have resulted in a drop of fountain-pen exports from a value of $27,049,775 in 1947 to $11,420,979, in 1948 and to only $8,081,456 in 1949, a decline of over 65 percent. And the decline is continuing.

During 1949 the members of the Fountain Pen and Mechanical Pencil Manufacturers Association, Inc., became so concerned over this loss of foreign markets, obviously a permanent loss unless corrective steps were taken by the United States Government, that it appointed an export committee composed of the following: Richard B. Sloan, chairman, Sloan Pen Co.; Benjamin D. Curtis, C. Howard Hunt Pen Co.; Otto Gaffron, Eberhardt Faber Pencil Co., to study the export problem and present it to the various interested Federal agencies with the request that remedial action be taken by the Government. The committee made an exhaustive study of the problem and was convinced that no relief would be forthcoming and that the loss of foreign markets would be continuing and permanent unless United States Government took prompt drastic action.

To top level-officials of the Department of State, ECA, the Department of Commerce, and the Export-Import Bank, the committee presented in detail, and with illustrations and examples from their own experience and correspondence abroad, the following seven phases of their export problems:

"1. Dollar purchases of pens and pencils from other countries at dollar cost equal to or in excess of American quotation.

"2. Imitation of American pens and pencils and deceptive sale as American made.

"3. Discrimination against imports from the United States. This was illustrated by examples of India and Canada permitting imports from other countries but not from the United States, with emphasis being placed upon United Kingdom discrimination.

"4. Embargoes to force American companies to build plants locally (using dollar shortage as an excuse).

"5. Requests from foreign importers for United States-made merchandise without any marking or indication as to its origin, because this would lead to confiscation or prohibition of the specific import.

"6. Quotas, embargoes, exchange regulations, import license refusals and other restrictive import regulations, supposedly nondiscriminatory, with a dollar shortage given as excuse, but suspected to be mere nationalistic policy to protect or develop local pen and pencil industries, which are uneconomic and not natural to the country.

"7. The rapid decline of export business, blamed, sometimes erroneously, on dollar shortage."

The one common theme of the responses given this export committee by the four United States Government agencies mentioned above was courteous but to the following effect:

"We recognize your difficulty and the injury being caused your industry—dollar shortage—we can't do anything about it—you are nonessential—the situation will probably get worse—have you thought of establishing plants in these foreign countries rather than exporting to them?"

From these discussions with top-level Government officials handling export problems, the association is now strongly convinced that the loss of foreign markets will be continuing and permanent and that the United States Government has no desire to assist the American fountain-pen industry with its export problem; on the contrary, the association is convinced that the United States Government will give its blessing and encouragement to the establishment of foreign production of fountain pens and pencils, whether or not such production is economic, and will encourage foreign countries to purchase pens and pencils (formerly purchased in the United States) from Japan, Germany, United Kingdom, and other foreign countries.

The State Department, ECA, and the Department of Commerce apparently conceive this to be a wise policy in order to discourage the expenditure of American dollars by foreign countries, regardless of the loss of production and employment in the American industry. The ECA probably has and the point 4 program probably will finance the construction of fountain-pen plants in countries formerly our best customers.

It sums up that the State Department, with the probable support of ECA, the Department of Commerce, and the Treasury, through its proposal to cut the tariffs on fountain pens, apparently proposes to surrender American production

and employment in the fountain-pen industry to Japan, Germany, United Kingdom, and other foreign countries so they can earn more dollars at the expense of the American industry.

AMERICAN INDUSTRY UNDERGOING PERIOD OF PAINFUL READJUSTMENT TO DECLINING DEMAND AND CURTAILED PRODUCTION AND EMPLOYMENT

The above discussion makes it apparent that the American industry has, since 1947, been undergoing a severe and painful readjustment to declining demand both in the domestic and export markets.

Current conditions in the domestic and export markets make it abundantly clear that the industry has not yet reached the leveling-off period and will have to undergo still further readjustment downward, both in domestic and export trade, with a practical elimination of foreign markets.

Under such circumstances it should be apparent that the industry cannot stand, without serious injury, a reduction of tariffs with a resultant increase of imports from Japan and other countries.

This period of readjustment will be characterized by severe competition among 184 separate producing companies for retention of a portion of the declining market. This high degree of competition among domestic producers coupled with surplus production facilities will assure the American consumers of the best quality product at very reasonable prices.

The prevailing problem in the industry in coming years, particularly among the majority of small-business producers, will be the problem of avoiding bankruptcy, staying in business, and providing employment in their individual communities. Increasing imports could only cause bankruptcies and a further decline in production and employment.

AMERICAN PRODUCERS WILL HAVE TO RELY MORE HEAVILY, ALMOST ENTIRELY ON AMERICAN MARKET

The above discussion of loss of export markets causing serious injury to American producers makes it more than abundantly clear that the American producer will have to plan his future and his readjustment on the assumption that the domestic market will be his only remaining outlet.

During 1947, the peak year, disregarding carry-overs, the American manufacturers sold 5,759,750 dozen fountain pens at a plant value of $106,965,000. Of this total production, 2,160,779 dozen pens valued at $27,049,775 were exported. This left the American producers with a domestic market for only 3,598,971 dozen pens at a value of $79,915,225. This was at the period of peak domestic consumption.

Today and in the future, the American producers will have to rely almost wholly on the domestic market which has declined substantially from the 1947 level.

AMERICAN PRODUCTION FACILITIES AND AVAILABLE EMPLOYEES, IN EVERY PRICE RANGE, ARE SURPLUS TO CURRENT OR ANY POTENTIAL DOMESTIC AND EXPORT DEMAND

The production facilities and available employees in the American fountain pen industry are substantially in surplus to any possible or potential effective demand, domestic and export. This is equally true in the production of fountain pens for every retail price range from 10 cents each to $125 each. Producers in all price ranges have idle facilities and employees (both skilled and unskilled). They also have facilities and employees which are not being used to full capacity. This idleness and production at below capacity of both facilities and employees is characteristic throughout the industry. However, it is particularly acute in the case of the smaller companies producing for the lower price ranges.

CURRENT REDUCED PRODUCTION IS IN EXCESS OF AMERICAN AND EXPORT DEMAND IN ALL RETAIL PRICE RANGES

Even with idle plants and employees, and other facilities and employees producing at below capacity, current production is in surplus of domestic and export demand. This is particularly true in the case of fountain pens and pencils produced for the lower price ranges. This fact is readily apparent from the overabundance of fountain pens in drug stores, novelty shops and almost every retail establishment handling small goods at 25 cents and less, which a short time ago sold for $1 and more. Even so, demand is still declining and carryover stocks

are building up at an alarming rate. The result—American production and employment will have to be further curtailed.

FULL RETENTION OF AMERICAN MARKET ESSENTIAL TO PROSPEROUS AMERICAN FOUNTAIN PEN INDUSTRY

Of course, it is not known exactly at what level the American market will level off. However, the industry's best estimate is that it will level off within the next few years at somewhere between 2,500,000 and 3,500,000 dozen fountain pens at a value somewhere between $40 million and $60 million, a reduction from 5,759,750 dozen fountain pens valued at $106,965,000 in 1947.

Thus it is apparent that the readjustment of the American industry will be severe and extremely painful, even without any imports. Any reduction in the tariff and invitation to increasing imports from foreign countries, which are now expanding old plants and building new plants (with American finances and know-how) for the production of fountain pens, will spell certain bankruptcy for the many small business producers in the United States primarily producing for low-priced retail sales. It is here that domestic competition is stiffest. It is here that import competition, particularly from Japan, will be most severe and cut deepest into American production and employment.

The full retention of the American market is absolutely essential to prevent wholesale bankruptcies and to maintain even a reduced American industry on a prosperous basis.

INCREASING IMPORTS UNDER SUCH SURPLUS CONDITIONS COULD ONLY RESULT IN DISPLACING AMERICAN PRODUCTION AND EMPLOYMENT IN FOUNTAIN PEN INDUSTRY

There is absolutely no foreign made fountain pen which does not compete directly with a similar American-made fountain pen. There are surplus American-made fountain pens in every price range.

Under such conditions of surplus, it is utterly impossible for the American market to absorb imports without displacing the use of an equivalent number of American fountain pens. When an American writes with a Japanese pen he does not use an American pen. When an American writes with a German pen he does not use an American pen. When an American writes with an English pen he does not use an American pen. This is equally true regardless of which price range the imported pen falls in.

The only possible result of increasing imports and the displacement of the use of American fountain pens would be the displacement of production and employment in the American fountain pen industry.

The policy of the American Government today should be, and the announced policy of this administration is, to encourage an expansion of production and employment in small businesses. The President of the United States has only recently reiterated his belief in this principle.

At least 75 percent of the 184 American pen producing companies are small businesses producing fountain pens in the low price ranges where imported fountain pens would cause the most injury.

Certainly the United States Government, by an unwise tariff cut, should not invite increasing imports and the destruction or serious injury of these small businesses.

The American fountain pen industry has enjoyed an unchanged tariff structure for 28 years, since 1922. Under that protection, designed to offset differences in wages and costs of production between Japan, the principal supplier, and the United States, the American industry has developed to the point where it is the biggest and best producer in the world. Current production is more than sufficient to supply all of the American demand, in all price ranges, at extremely reasonable prices and any possible export demand.

Increased imports, under these circumstances, cannot benefit American consumers. The consequent unemployment in the fountain pen industry would do severe damage to many communities. The reduced purchasing power will reduce the consumption of other American products as well as imported products such as coffee, bananas, and other duty-free imports.

FOUNTAIN PEN INDUSTRY SHOULD BE LEFT FREE TO SEEK RELIEF UNDER SECTION 336 OF 1930 TARIFF ACT

In view of the conditions outlined above requiring the American fountain pen industry to undergo a period of readjustment to declining demand and prices and

a curtailment of production and employment in a highly competitive industry, the industry should be left free to seek relief under section 336 of the Tariff Act of 1930, which contemplates an increase in tariffs (up to 50 percent) where such increase is required to offset differences in costs of production between America and the principal foreign competing country.

Such relief may well be necessary in this period of readjustment and the industry is consequently strongly opposed to even a binding of its existing tariffs in a trade agreement which would agree to continue current tariff and customs treatment. Under current conditions, with no change in the fountain pen tariffs, it is entirely possible and even probable that imports from Japan, in the low retail price ranges, will increase to the point where a tariff increase under section 336 of the 1930 Tariff Act would be absolutely essential to avoid serious injury to American producers from imports.

Even a binding of the fountain pen tariff rates at current rates, with no change, would, under the provisions of the Reciprocal Trade Agreement Act, prohibit the industry from seeking such relief and thereby cause or threaten serious injury. Under the current conditions of readjustment this denial of a relief provided for in our laws should not be placed upon a struggling industry already hit so hard by the loss of export markets.

JAPAN IS PRINCIPAL COMPETING COUNTRY

Historically for many years Japan has been, prior to the war, the overwhelmingly principal supplier of fountain pen imports and consequently is the principal competing country.

Exhibit A, showing imports for consumption, reveals that in 1931 and 1932 Japan supplies 71 percent and 72 percent, respectively, of all fountain pen imports. From 1933 through 1939, before imports were cut off by war conditions, Japan in every year supplied 90 percent or more of all United States imports of fountain pens. In many of those years she supplied 98 percent to 99 percent of all imports. This is undoubtedly the reason why the fountain pen tariffs, although listed, were not reduced or bound in the trade agreement negotiations at Geneva, Switzerland, during 1947.

As postwar conditions return toward normal and as Japan's production and foreign trade begin to return to a prewar or somewhat normal pattern, Japan will undoubtedly again be the overwhelmingly principal supplier of American imported fountain pens. Her costs of production are lower than are production costs in any other fountain pen producing country. Imports from Japan always have been and will in the future be predominantly in the low retail price ranges where the threat to American production and employment is most severe.

In view of the depressed conditions in the American fountain pen industry, and particularly in view of Japan's predominant and overwhelming position of principal supplier of American imported fountain pens, the American industry is unable to understand why fountain pens were listed for consideration in these negotiations in the first place.

The American industry can only make guesses as to why they were so listed. A study of the import statistics (exhibit A) shows that during 1949 we imported from the United Kingdom 1,056 dozen fountain pens, and we gather from this that fountain pens probably were listed for negotiation with the United Kingdom. However, this is not a normal condition. Between 1931 and 1948, inclusive, only in 1931 did we import as much as 151 dozen pens from the United Kingdom. In 1935 we imported only 88 dozen fountain pens. In all other years between 1931 and 1948 imports from the United Kingdom never reached even 50 dozen fountain pens. Certainly the United Kingdom is not likely to become the principal supplier of imported fountain pens and any concession to the United Kingdom, under the most-favored-nation clause of trade agreements, would be extended to all other nations, including Japan.

The industry also notices from the import statistics that during 1945, we imported 13,650 dozen fountain pens from Canada. However, this is also not a normal condition. The great bulk of these pens were permitted duty-free entry into the United States as an act of international courtesy and did not enter American trade or competitive channels. They were reshipped to other countries. It is doubted that Canada will ever become a substantial factor in supplying the United States with imported pens. Many of the American pen companies

have factories in Canada to supply Canada and other United Kingdom markets. Several American factories are also producing in England itself.

It is also noticed from the import statistics that Germany supplied 309 dozen imported fountain pens in 1949. Prior to 1949 and as far back as 1933, Germany never exported more than 30 dozen fountain pens to the United States.

Brazil is developing her own fountain pen plants but she certainly will never become a principal factor in the United States import trade by comparison to Japan.

It seems quite apparent that even all of the countries involved in these present trade agreement negotiations, all collectively, are not likely to become principal suppliers of United States fountain pen imports. Undoubtedly, Japan will, in the near future, regain her position as principal supplier of the United States imports.

The American industry is also unable to understand why fountain pens (par. 1550 (b)) should have been listed for tariff consideration while mechanical pencils (par. 1550 (a)) were omitted.

The manufacture of fountain pens and mechanical pencils is an integral and inseparable industry. In practically every plant and in practically every country where fountain pens and pencils are produced they are produced in the same plants and when the consideration of fountain pens or mechanical pencils is underway, one must consider the other. For this reason, the industry is hopeful that fountain pens were listed by mistake and that no action with regard to them will be taken in these negotiations.

NO MODIFICATION IN FOUNTAIN PEN TARIFFS SHOULD EVEN BE CONSIDERED EXCEPT IN NEGOTIATIONS WITH JAPAN

Since Japan has historically been and undoubtedly in the future will be, the principal supplier of imported fountain pens and the principal competitor in the American market, no modification in the fountain pen tariffs (or the mechanical pencil tariffs) should even be considered except in negotiations with Japan. Japan is not a party to these negotiations and consequently the tariffs on fountain pens should not be considered.

If they should be considered and any concession granted, the principal benefit would go to Japan, under the most-favored-nation clause, rather than to any country or all countries collectively participating in these negotiations.

The industry is hopeful that the listing of fountain pens for consideration in these negotiations was done without due deliberation and that no action will be taken to either reduce or bind the fountain pen tariffs. Even a binding of the fountain pen tariffs at their existing rates would threaten serious injury to the American producers by denying them any possible relief from Japanese imports through the provisions of section 336 of the Tariff Act of 1930.

Respectfully submitted.

IVAN D. TEFFT,
President, Fountain Pen and Mechanical Pencil Manufacturers Association, Inc.

DISTRICT OF COLUMBIA, *ss:*

Ivan D. Tefft, being duly sworn, on oath, deposes and says that he is the individual who signed the attached brief on the subject of fountain pens, fountain-pen holders, stylographic pens and parts thereof as president of Fountain Pen and Mechanical Pencil Manufacturers Association, Inc.; that he is personally engaged in the fountain pen industry, being president of said Fountain Pen and Mechanical Pencil Manufacturers Association, Inc., with headquarters at New York, N. Y.; that he has been personally familiar with the fountain pen industry for many years last past; that he has read the attached brief and that the facts stated therein are true and correct to the best of his knowledge, information, and belief.

IVAN D. TEFFT.

Subscribed and sworn to before me this 17th day of May 1950.

[SEAL]

MARY B. BEACH,
Notary Public, District of Columbia.

My commission expires May 15, 1953.

EXHIBIT A

FOUNTAIN PENS

United States production and foreign trade

Year	United States production [1, 2]		United States exports [3]	
	Quantity, dozens	Value [3]	Quantity, dozens	Value
1937	3,747,760	$14,440,760	165,415	$1,749,767
1939	2,440,056	12,435,541	261,618	1,659,427
1943			76,329	1,761,291
1945			206,710	5,709,216
1946			1,094,996	22,036,822
1947	5,759,750	106,965,000	2,160,779	27,049,775
1948			1,442,210	11,420,979
1949			1,547,296	8,081,456

Imports for consumption [3, 4]

[Quantity in dozens, 1931–49]

Year	Japan	Germany	United Kingdom	Canada	All other	Total	Japanese percent of total
1931	9,957	3,801	151		24	13,933	71
1932	1,300	482	4		0	1,786	72
1933	249	6	36		2,235	2,526	98
1934	3,243	5	35	9	0	3,292	99
1935	7,376	1	88	1	23	7,489	99
1936	15,435	5	12	6	25	15,483	99
1937	8,304	7	2	67	693	9,073	92
1939	970	30	1		75	1,076	90
1943				21	2	23	
1945				13,650	125	13,775	
1946		1	1	110	271	383	
1947			1	4,190	2	4,193	
1948			14	1		15	
1949		309	1,056	109		1,474	

[1] Source: Census of Manufacturers.
[2] Exact production figures for other years not available.
[3] Source: Official Statistics of the U. S. Department of Commerce.
[4] Includes small amounts for parts for separate sale.

Mr. BRECKINRIDGE. In this brief our main points were that "we hope you will not reduce the duty on fountain pens and pencils because the benefit would go mostly to Japan rather than to any country with whom you are negotiating, and also do not bind the duty because when Japan gets back into production we will undoubtedly need an increase in the tariff under section 336 of the Tariff Act."

Although fountain pens are not now included in any trade agreement and even if only bound—and duty not reduced—in the current negotiations; we would be legally prohibited from seeking relief under section 336 of the 1930 Tariff Act.

At the present time Japan has not gotten back to where she is shipping large volumes of fountain pens and pencils to this country, but she is shipping large quantities of what are called mechanical pencil movements or actions. Now, that is the inside portion of the pencil, the mechanism which propels and repels the lead.

Senator KERR. That which makes the pencil.

Mr. BRECKINRIDGE. Yes, sir.

During 1950, 4,420,800 have come in and they are classified under a blanket clause in the Tariff Act, paragraph 397, covering articles

of metal, not specially provided for, whether partially or wholly manufactured. The duty on that is or was in the 1930 act 45 percent ad valorem, and was reduced in negotiation with Australia at Geneva to 22½ percent.

We have had very serious difficulty with these imports that come in at a price and sell at a price of approximately 4⅛ cents per pencil movement, and the cheapest at which they can be produced in the United States is 7 or 7-plus cents each.

There again we need relief, and for this reason we specifically support the escape-clause amendment that was passed by the House, and we specifically support the reactivation of section 336, which is merely a striking out of the present prohibition in the Trade Agreements Act prohibiting the use of section 336 on any article included in a trade agreement.

I believe that substantially states our position, so far as we can state it in a short time. We do feel that the Trade Agreements Act has worked to our detriment on exports, and is working to our detriment on imports. We have been hit from both sides. With the suggested amendments, we believe it will give some reciprocity and provide for an escape or safety valve when we are injured seriously, and we can fully contemplate that we will be.

Another factor we have run into in foreign markets, and this is particularly with respect to the Parker and Sheaffer Pen Cos., which export very substantial amounts. Parker has exported from 30 to 40 percent of her production, and Sheaffer has exported 10 to 15 percent of her production. We are finding now in India, which is one of our largest export markets, and was historically, that the market is flooded with Japanese imitations which look identical to our own fountain pens and even have "Parker" and "Sheaffer" stamped on them, and we have been unable to get relief from that.

We got very little sympathy from the State Department when we stated our problem to them. We have since sort of taken the bull by the horns and proceeded through the Secretary of Defense. We have submitted briefs to them with samples from all over the world, along with samples of our own, to show them how they are identical and how they are violating our patents and our trade-marks and trade names. They have expressed sympathy but nothing concrete has been done. The fraudulent imitations are still being made and sold in foreign markets.

We filed that brief with the Secretary of the Army on August 17, 1950. We are still hopeful that they will give us some relief, but we cannot understand why they permit Japan, while we are still occupying her, to make these fraudulent imitations, and ship them all over the world. We are able to stop them coming into this country by reason of our Tariff Act and the marking provisions, but we have completely lost our ability to protect ourselves in foreign markets unless the State Department and the Army will give us some help.

The CHAIRMAN. Are there any questions? Thank you very much.

Mr. BRECKINRIDGE. Thank you very much for the opportunity to appear.

The CHAIRMAN. Is there any other witness who is scheduled to appear? I have none on the list today.

Here is a statement from the Secretary of Labor, which is a general endorsement of the Trade Agreements Act. I thought it had gone

into the record, but apparently it had not. Put that in the record, please, Mr. Reporter.

(The letter referred to follows:)

DEPARTMENT OF LABOR,
Washington, March 9, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR GEORGE: I am writing to you with respect to H. R. 1612 which is now before your committee, having been adopted by the House of Representatives on February 7, 1951. As you know, the Department of Labor is one of the agencies which comprise the Committee on Trade Agreements. It is against the background of our participation in the administration of the Trade Agreements Act, through this committee and the Committee for Reciprocity Information, that I would like to comment on the provisions of H. R. 1612.

I have already written to Chairman Doughton of the House Ways and Means Committee in support of the principle that is embodied in the Trade Agreements Act and urging the extension of the legislation. I believe, however, that H. R. 1612, as amended in the House of Representatives, has several highly undesirable features which would make its administration difficult, and some of which would make the legislation unworkable.

It has been my observation that the trade agreements program is administered with extreme care and in a manner which seeks to avoid injury to labor or management in any domestic industry. This is the avowed policy followed at all times in the administration of the program. The objectives which would be served by the "peril point" amendment contained in section 3 of the bill as adopted by the House of Representatives are already being pursued by the Committee on Trade Agreements and in fact constitute an obligation upon all the agencies participating rather than upon one agency alone.

Another weakness of the "peril point" amendment is that it removes the extremely valuable participation of the Tariff Commission member from the Trade Agreements Committee and the Committee for Reciprocity Information, and requires duplication in administrative procedure.

The "escape clause" procedure is also firmly imbedded in the policy under which the program is administered. If it is desired to make this policy a requirement of law, however, I would suggest that care be taken to insure that the "escape clause" is not made to operate solely for reasons which are the result of domestic causes, unrelated to imports. The "escape clause" provisions of section 7 of H. R. 1612 are deficient in this respect.

While the motives which caused the inclusion of the amendment contained in Section 6 respecting the granting of concessions to members of the Soviet bloc are understandable, there would be a great many problems, both of an administrative and security nature, created by such legislation. For this reason I believe that if this amendment is retained at all, some flexibility should be permitted the President with respect to the applicability of this Section.

I understand Secretary Brannan has appeared before your Committee explaining the difficulties of applying the provisions of Section 8 relating to the withdrawals of the benefit of reduced tariffs to agricultural commodities unless such commodities are sold above the support prices prevailing here. In view of his testimony, I will not enumerate or comment on those difficulties.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Very truly yours,

MICHAEL J. GALVIN,
Acting Secretary of Labor.

The CHAIRMAN. If there are other witnesses who now wish to file briefs for the record, they may be made a part of the record at this point. We will recess until 10 o'clock in the morning.

(The following briefs and letters were subsequently supplied for the record:)

STATEMENT OF JOHN BRECKINRIDGE, ON BEHALF OF THE DEHYDRATED ONION AND GARLIC INDUSTRY OF AMERICA

My name is John Breckinridge, an attorney here in Washington, D. C., representing the dehydrated onion and garlic industry in the United States. This

statement is made on behalf of Basic Vegetable Products, Inc., Vaccabille, Calif.; Gentry, Inc., Los Angeles, Calif.; Puccinelli Packing Co., Turlock, Calif.; and J. R. Simplot Dehydrating Co., Caldwell, Idaho. These four companies are the principal American producers of dehydrated onion and garlic products. They produce approximately 95 percent of all dehydrated onion and garlic products produced in the United States.

Mr. J. H. Hume of the Basic Vegetable Products, Inc., who usually speaks for the industry in matters such as this, was particularly disappointed that the schedule of the committee would not permit his appearance to testify personally. However we are very pleased with the opportunity of presenting this statement of our views concerning the Trade Agreements Act and other tariff legislation for inclusion in the record of these hearings. Mr. Hume has asked me to prepare this statement for the record.

THE AMERICAN DEHYDRATED ONION AND GARLIC INDUSTRY AND ITS IMPORT AND TARIFF PROBLEMS

There is attached at the end of this statement a copy of the brief presented by this industry, on September 14, 1950, to the Committee for Reciprocity Information in connection with the trade agreement negotiations currently going on in Torquay, England. This brief summarizes the facts of the American dehydrated onion industry, the facts of the Egyptian dehydrated onion industry and the adverse effects of increasing imports from Egypt upon the American producers. The facts are comparable in connection with both American production and the effect of increasing imports of dehydrated garlic products.

In order to avoid a lengthy restatement of the general tariff and foreign trade principles which we believe in, we want to endorse the statements and recommendations which have been made to this committee by: Richard Anthony of the American Tariff League; O. R. Strackbein, chairman of the National Labor-Management Committee on Foreign Trade Policy; John F. Riggle, of the National Council of Farmer Cooperatives; Dr. J. T. Sanders of the National Grange; Senator Spessard L. Holland of Florida, urging an amendment to provide for import quotas on perishable agricultural commodities or products thereof when such commodities are selling at prices below parity; and Karl D. Loos, speaking for several west coast fruit and tree nut producers.

We particularly wanted to tell our story to this committee because we feel that we have been very adversely affected by the trade agreements program although it was never specifically intended to make a tariff cut on dehydrated onions or garlic. We feel that the plight of our industry is only illustrative of how the producers of many commodities, on which no specified concessions have been made, have and will be injured as mere innocent bystanders to the trade agreements program and the inflexibility which it has produced in the administration of other laws of Congress which were designed for the protection or relief of American producers.

The trade agreements program and its administration by the State Department fails to provide the flexibility necessary to recognize and provide for industries adversely affected by new and changing conditions of foreign trade. Also the Trade Agreements Act, with the almost complete blank check authority given to the State Department, has caused the State Department and the administration to consider it as the over-all and overriding foreign trade policy of the United States. As a result the State Department and other Federal agencies have treated as nonexistent other provisions of the Tariff Act of 1930 and other entirely separate and specific acts of Congress designed for the protection of American producers and specifically designed to meet changing circumstances, new conditions or temporary conditions of foreign trade adversely affecting American producers. For example, since the enactment of the Trade Agreements Act in 1934, and particularly in recent years, the State Department and the administration have completely ignored and refused relief to American producers under the following acts of Congress:

Section 336 of the Tariff Act of 1936 providing for 50-percent tariff increase in order to equalize the difference in foreign and domestic costs of production.

The Antidumping Duty Act of 1921.

The Countervailing Duty Statute (section 303 of the Tariff Act of 1930).

Section 22 of the AAA Act providing for quotas when imports interfere with Department of Agriculture support programs.

To illustrate the adverse effects of this inflexibility brought about by the trade-agreements program we want to briefly review the facts of the dehydrated onion

and garlic industry. The Tariff Act of 1930 provided specific duties (par. 770) on raw onions and raw garlic. However, at the time this tariff act was being considered, in 1929 and 1930, dehydrated onions and dehydrated garlic were scarcely known as an article of commerce and consequently no provisions were made therefor as was done in the case of dehydrated potatoes, concentrated citrus juices, and other concentrated products of agricultural commodities. Since the dehydration industry has come into its own and dehydrated onion and garlic are a world-known commodity of commerce, the Customs Officials have classified them as processed vegetables and made them dutiable under the following language of paragraph 775 of the Tariff Act: "Vegetables * * * if cut, sliced, or otherwise reduced in size, or if reduced to flour * * * 35 percent ad valorem."

A court decision during 1950 held "onion powder" to be a spice and dutiable under the basket clause of paragraph 781 of the tariff act which reads: "Spices and spice seeds not especially provided for, including all herbs and herb leaves in glass or other small packages, for culinary use 25 percent ad valorem."

These basket-clause provisions were included in trade-agreement negotiations with China and India, respectively, at the Geneva negotiations in 1947 and the duties cut to 17½ percent ad valorem and to 12½ percent ad valorem, respectively. Neither India nor China produce any substantial quantity of dehydrated garlic or onion products and neither of them export any such products to the United States. During the preparations prior to and during the actual negotiations at Geneva no consideration was given to dehydrated onion or garlic products; no notice was given to the American producers thereof that they would be subject to negotiation; and it was not intended to make a specific concession (reduction in duty) thereon. Neither dehydrated onions nor dehyrdated garlic are mentioned in the Geneva trade agreement or in any other trade agreement.

Yet, in spite of the fact that neither dehyrdated onions or garlic are mentioned in any trade agreement and in spite of the fact that it was not intended to make a concession thereon, it has been held that imports of dehydrated onions and garlic are dutiable at these reduced rates of duty and we have been prohibited from seeking relief in the form of an increased duty or in the form of applying the ad valorem duty to the American selling price under section 336 of the Tariff Act of 1930. And, we have been prevented from contesting this unwarranted and unintended application of reduced duties in court. Certainly that is un-American procedure.

In view of the wording of the escape clause contained in trade agreements and the manner in which it has been administered by the State Department and the Tariff Commission, we have concluded that it would be useless and an utter waste of money and effort to seek relief thereunder. Although the concession on processed vegetables made to China under paragraph 775 of the tariff act was withdrawn late in 1950, which makes the relief of section 336 legally available to us, we have considered it useless and again a waste of time and money to seek relief thereunder. Section 336 has been ignored by the Administration ever since enactment of the Trade Agreements Act of 1934 and these industries which have sought relief thereunder in recent years have failed to even obtain their day in court. Most of the applications for relief under section 336 have been summarily denied and dismissed without reason, without an investigation, and without even giving the American producers their day in court. In the most recent 336 case actually investigated by the Tariff Commission (in the case of almonds) the American producers were given their day in court but the Tariff Commission finally dismissed the investigation on the ground that it was impracticable to determine the foreign cost of production. This was obviously a "do-nothing" decision in furtherance of the State Department policy of not granting relief under section 336 even where the producers are legally entitled thereto, because it would be inconsistent with the trade-agreements program. Consequently, we have not felt justified in incurring the effort and expense necessary to write a brief and make application for relief to the Tariff Commission under section 336.

As a result of the administration holding that dehydrated onions and garlic are dutiable under the basket clauses of paragraph 775 and 781 which carry substantially lower duties than the duties on raw onions or raw garlic under paragraph 770, foreign producers and importers are circumventing the intent of Congress, expressed in the tariff act in paragraph 770, for the protection of American onion and garlic growers. They do this by first dehydrating the onions, then sending them across the border to obtain the much lower rate of duty and then reconverting them to their natural state by the addition of water, when they are used for identically the same purposes as are fresh onions and garlic.

We have had discussion with the officials of the Bureau of Customs with the view of obtaining a decision that dehydrated onion and garlic products should be dutiable under paragraph 770 at the rates provided therein based on the raw onion or raw garlic content of the dehydrated product. We were advised that there was no possible way of making such a decision and that our only possible relief would be through an amendment to the Tariff Act providing for a specific duty on dehydrated onion and garlic products based on the raw onion content thereof.

At the appropriate time, when amendments to the Tariff Act of 1930 are being considered, we will propose that paragraph 770 be so amended. However, we feel that the basic legislation, the Trade Agreements Act and other acts of Congress, should be so written as to provide sufficient flexibility to perm[illegible]s such as this to be handled without the necessity of piecemeal amendments to the Tariff Act of 1930, which have been and will be made necessary by new conditions of foreign trade, as in our case.

We strongly urge adoption of the following amendments to the Trade Agreements Act:

1. The escape-clause amendment (sec. 7 of H. R. 1612), making escape clause practicable and workable in sufficient time to provide timely relief;
2. The revised parity amendment (sec. 8 of H. R. 1612 revised along the lines as suggested by Mr. Karl D. Loos speaking for west coast producers of fruits and tree nuts), which would prevent application of reduced duties when agricultural commodities or products thereof are selling at prices below parity;
3. Section 336 and section 516 (b) amendment, by striking out the first sentence of section 2 (a) of the Trade Agreements Act, which would reinstate and reactivate relief under section 336 and access to the courts by American producers;
4. The Holland amendment, which would provide for imposing import quotas when perishable agricultural commodities are selling below parity;
5. The Knowland amendment, which would require the cancellation of trade agreements when the foreign country involved has withdrawn or otherwise nullified a substantial portion of the concessions made to the United States;
6. The Magnuson-Morse section 22 amendment, which would reinstate and reactivate section 22 of the AAA Act, providing for import quotas when imports interfere with Department of Agriculture support programs;
7. The peril-point amendment (secs. 1–5 of H. R. 1612), which would provide for adequate consideration by the Tariff Commission and the setting of peril points below which tariffs could not be cut prior to trade-agreement negotiations. This should be made mandatory upon the President.

Unless amendments along the lines of those above-named and briefly described are enacted, we and many other small industries will be unable to obtain relief, except by a specific act of Congress, from the ever-increasing flood of imports from Egypt and other countries. In our case, this is true even though Egypt is not party to any trade agreement with the United States and even though it was not intended to make a specific concession on dehydrated onion and garlic products to India or to China or to any other country.

We are being injured by the trade agreements program even though we are innocent bystanders. We were never given our day in court or even an opportunity to express our views. We fear that the State Department has our industry listed as one of those "small industries" which could be seriously injured or liquidated by increasing imports in order to rehabilitate Europe, as suggested by Secretary of State Acheson and ECA Administrator Hoffman. This is not a pleasant prospect and we do not cherish the thought of being put on relief as suggested by Mr. Acheson and Mr. Hoffman. (See statement of John Bredkinridge in connection with his testimony at these hearings on behalf of the Northwest nut growers.)

We sincerely hope that this committee and the Congress will see fit to put some restraints upon the blank-check authority which the State Department now has over the life and death of many American industries, particularly small industries such as ours—some workable "escapes" or "safety valves" should be provided and those already provided by law should be reactivated so they can be used when injury is caused and so they can be used in timely fashion. Also the use of such "escapes" or "safety valves" should be made mandatory upon the State Department, the Tariff Commission and/or the President because the administration has made it abundantly clear that they will not use them if they are left with mere discretionary power to use them, which they already have.

The brief of September 14, 1950, presented to the Committee for Reciprocity and above referred to is as follows:

Before the Committee for Reciprocity Information. Proposed negotiations of foreign trade agreements with India and other nations at Torquay, England

DEHYDRATED ONION POWDER

VIEWS OF AMERICAN DEHYDRATED ONION INDUSTRY

STATEMENT OF THE CASE

In accordance with the public notice of the Committee for Reciprocity Information dated August 17, 1950, this brief is presented on behalf of the American dehydrated onion industry by J. H. Hume, Basic Vegetables Products, Inc., Vacaville, Calif.; L. C. Bellisime, Gentry, Inc., Los Angeles, Calif.; R. L. Puccinelli Packing Co., Turlock, Calif.; and Leon C. Jones, J. R. Simplot Dehydrating Co., Caldwell Idaho, which are the principal American producers of dehydrated onion powder and other dehydrated onion products. They produce approximately 95 percent of all dehydrated onion products.

On August 17, 1950, the State Department issued a second supplemental announcement of intention to undertake trade agreement negotiations with India and certain other nations at Torquay, England, beginning September 28, 1950. Attached thereto was a publication of the Interdepartmental Committee on Trade Agreements, which included a list of commodities on which tariff modifications may be considered in the proposed trade-agreements negotiations. This list of commodities subject to tariff modification included for negotiation with India: "Onion powder" (recently classified by court decisions as "spices and spice seeds, not specially provided for" under the provisions of par. 781 of the 1930 Tariff Act).

Raw onions

Raw onions or onions in their natural state are a garden vegetable. Webster's International Dictionary, second edition, unabridged, defines an onion as follows: "The bulb of the Asiatic plant allium cepa; also the plant, having slender, hollow, tubular leaves. The bulb is a garden vegetable, having a characteristic (alliaceous) pungent taste and odor, and is eaten raw or cooked." The onion under consideration here is the bulb or the garden vegetable and not the plant having slender, hollow, tubular leaves which is commonly referred to as spring or green onion.

Raw onions contain over 90-percent water by weight of the edible portion.

Substantial quantities of raw onions are eaten raw or as a cooked vegetable in the form of creamed onions, fried onions, smothered onions, in salads and in other recipes. However, raw onions are used principally as a seasoning for other foods.

Onion powder and other dehydrated onion products

Dehydrated onions are merely raw onions from which almost all of the water has been removed. Dehydrated onions are not precooked and nothing is added during the process of dehydration. None of the juice or any of the other natural properties of raw onions are removed during the dehydration process—only water vapor is removed. Since over 90 percent of the edible portion of raw onions is water, the dehydrated product weighs somewhat less than one-tenth the weight of the raw onions. Onion powder is produced by grinding dehydrated onions into a powder.

To fully appreciate the tariff problem of onions and dehydrated onions, it is important to understand that dehydrated onions, in all their qualities and uses, are exactly the same as raw onions. The only difference between the two is that raw onions contain their own water whereas water is added to dehydrated onions when they are used. After water has been added to dehydrated onions they become indistinguishable from raw onions.

Uses of dehydrated onion products identical with those of raw onions

Onions in the dehydrated and raw forms are used for the same purposes. Raw onions and dehydrated onions are both used primarily for seasoning. Both are also used as a vegetable in the form of fried onions, smothered onions, in salads and in other recipes. Dehydrated onions can be purchased in the form of sliced onion, chopped onion, and ground onion or onion powder. These are the principal forms in which raw onions are used. In eating fried onions, smothered onions, onions in a salad or other recipes, the general consumer could not determine whether the dish had been prepared from raw or dehydrated onions.

Onion powder plus water identical with ground raw onion

Both ground raw onion and onion powder are used wholly as a seasoning by housewives and food manufacturers. They are used interchangeably and consumers cannot distinguish one from the other in the seasoned food.

Most food manufacturers and institutions use onion powder rather than ground raw onions because the onion powder is usually cheaper and more convenient to use. However, when the price of raw onions declines to a point where they are cheaper than onion powder, taking into consideration the cost of handling and grinding the raw onions, they will revert to the use of raw onions.

American dehydrated onion industry

The dehydrated onion industry in the United States, is somewhat of an infant industry, as it is in Egypt and other countries, having derived its main stimulus and growth during World War II. During 1929 and 1930, when the Tariff Act of 1930 was being formulated and enacted, there was no significant dehydrated onion industry in the United States and dehydrated onions were not known generally as an article of commerce. Consequently the Tariff Act of 1930 made no provision for dehydrated onions as such.

Since 1932, however, onions have been dehydrated in the United States in increasing quantities. During the war the industry was expanded tenfold. In the war period, approximately 90 percent of the domestic production of dehydrated onions was used either directly or indirectly by the United States Armed Forces and our allies.

The Army has indicated that it regards onions as a strategic food ingredient. Examination of the receipes of the Armed Forces show that onion is used for more different dishes than any other vegetable. The Army has found dehydrated onions so satisfactory that it has continued to use them during peacetime even though the raw onions are readily available. Obviously, during wartime, the advantage of dehydrated onions over raw onions is very great.

Although current production is only a fraction of the wartime volume, the industry produces approximately 5,000,000 pounds of dehydrated onion products per year, about one-half of which is onion powder. The industry embraces 7 dehydrating plants employing between 1,000 and 1,500 persons—including highly trained technical personnel and production workers. In addition to this investment and employment directly in the dehydrated-onion industry, a huge capital investment and thousands of additional workers are required to grow and harvest the raw onions used for dehydration.

The industry is located primarily in the Western States but there are also dehydration plants in Louisiana, Wisconsin, and New York.

To illustrate the importance of the dehydration industry to the onion growers, the 1949 white onion (the type used in dehydration) production in Western States was estimated as follows:

Late white onions (50-pound bags)

California	1, 095, 000
Idaho Oregon	632, 000
Nevada	180, 000
Utah	25, 000
Colorado (west slope)	45, 000
Total	1, 977, 000

It is estimated that between 50 and 75 percent of these onions were used by the dehydration industry. Obviously, the dehydrated-onion industry provides the American onion grower with a very substantial market for his raw product. By the same token, proper tariff protection on dehydrated onions is as important to the onion growers as to the employees and owners of dehydration plants.

Egyptian dehydrated onion industry

The best available discussion of the dehydrated-onion industry in Egypt is contained in a report of January 31, 1950, prepared by Quincy F. Roberts, American Consul General, Alexandria, Egypt, which is attached hereto as Appendix I.

It will be noted from this report, as in the United States, that the Egyptian industry was developed primarily during World War II. With an excess capacity over postwar requirements, the Egyptian industry has been searching for export markets. During the years 1948, 1949, and 1950, Egypt has been making a special effort to capture a large portion of the United States market for dehydrated onions.

In the absence of increased tariff protection, Egypt undoubtedly will be successful in this effort because of her substantially lower costs. As is shown in Appendix I, Egypt already has the production capacity to capture and supply the entire American market; and correspondence with Egyptian producers and exporters clearly indicates they intend to do so.

Imports of onion powder and other dehydrated onion products

Dehydrated onions are not separately classified in the import statistics, but it is believed that no significant imports came into the United States prior to World War II. During World War II only a few imports came in from Mexico.

Following the end of the war in 1945, imports were negligible until 1948 when heavy imports began coming in from Egypt. The same is true of both powdered onions and other dehydrated onion products.

Exact statistics on the imports of onion powder and other dehydrated onion products are not available but an invoice analysis for the calendar years 1949 and 1950 to date, prepared by the Tariff Commission, is attached as table A.

Table A shows that 7,244 pounds of onion powder were imported from July through December 1949 and that 33,104 pounds of onion powder have been imported from January through May 1950, the latest month for which data are available. All of these imports came from Egypt, and it is anticipated that such imports will continue and increase substantially. However, it is not anticipated that imports of onion powder will be received from any other country, at least not in any significant volume.

Table A also shows imports of other dehydrated-onion products amounting to 150,778 pounds during the last 6 months of 1949 and 126,336 pounds during the first 5 months of 1950. Here again these imports have come almost entirely from Egypt. There was one small shipment of dehydrated onions from Poland and one shipment from the United Kingdom which it is believed originated in Egypt and was transshipped to the United States.

It is anticipated that Egypt will continue to be practically the sole supplier of imports of onion powder and other dehydrated onion products.

It is practically certain that India will not be a substantial producer of dehydrated onion products and that she will not supply any American imports of onion powder in the foreseeable future.

The United States has never received any substantial imports of onion powder from any of the countries signatory to the General Agreement on Tariffs and Trade and it is not believed that any GATT country has any interest in exporting onion powder to the United States.

Tariff history

Onion powder has practically no tariff history. Because it was practically unknown in 1930 and prior thereto, it has been a tariff orphan. Onion powder and other dehydrated onion products were hardly known and were not considered as an article of commerce prior to or during the development and enactment of the Tariff Act of 1930. Consequently, no consideration was given to and no specific provision was made for onion powder or other dehydrated onion products in the Tariff Act of 1930.

Raw onions, paragraph 770: The Tariff Act of 1930 did provide for a duty on the importation of raw onions. Paragraph 770 provides a duty of 2½ cents per pound on raw onions. This duty was reduced to 1¾ cents per pound in the General Agreement on Tariffs and Trade. Since dehydrated onions are merely raw onions with the water removed and revert to their natural state with all of their natural properties when water is added, it is the opinion of the American industry that dehydrated onions should be dutiable under paragraph 770 at the rate of 1¾ cents per pound on the raw-onion content of the dehydrated onion. Otherwise, raw onions are (1) dehydrated, (2) shipped to the United States, and (3) then reconverted to their natural state by the addition of water; thereby completely circumventing the intended duty of 1¾ cents per pound on onions. There is nothing in the legislative history of the Tariff Act of 1930 to indicate that Congress considered onion powder or other dehydrated onion products when they enacted paragraph 775 covering processed vegetables or paragraph 781 covering spices. It is doubtful that any of the Congressmen or Senators had ever thought of dehydrated onions being an important article of either domestic or foreign commerce when they enacted the Tariff Act of 1930. Had they known of onion powder and other dehydrated onion products as an important article of commerce, they probably would have provided for a duty thereon based on the raw onion

content in order to prevent circumvention of the duty on raw onions, as they did in the case of concentrated citrus juices and other commonly known concentrated products.

Processed vegetables, paragraph 775: However, onion powder (prior to a decision of the Court of Customs and Patent Appeals of May 9, 1950) and other dehydrated onion products have been classified by the customs officials as a processed vegetable and dutiable under paragraph 775 of the Tariff Act of 1930 within the following language of that paragraph: Vegetables * * *, if cut, sliced, or otherwise reduced in size, or if reduced to flour * * * 35 percent ad valorem." This duty of 35 percent ad valorem held to be applicable to onion powder and other dehydrated onion products was reduced to 17½ percent ad valorem in the General Agreement on Tariffs and Trade negotiated at Geneva, Switzerland, in 1947. This concession was negotiated with China but it is believed that, at the time, no consideration was given to dehydrated onion products and that no concession thereon was intended. China having withdrawn from the General Agreement on Tariffs and Trade, effective May 6, 1950, the State Department announced, on September 13, 1950, the withdrawal of this concession to China; and the duty will revert to 35 percent ad valorem, effective, probably, the latter part of October 1950.

Spices, paragraph 781: Paragraph 781 of the Tariff Act of 1930 provides for various duties on specifically named spices and spice seeds and then makes a blanket coverage as follows: "Spices and spice seeds not specially provided for, including all herbs and herb leaves in glass or other small packages, for culinary use, 25 per centum ad valorem:". India being the principal source of imports of spices, the United States reduced this duty on unspecified spices to 12½ percent ad valorem as a concession to India in the General Agreement on Tariffs and Trade negotiated at Geneva, Switzerland, in 1947. The reduced duty became effective during the first half of 1948. When this concession was made to India, it is believed that no consideration was given to "onion powder" and that "onion powder" was not considered as a spice at that time. It is not believed that the concession made to India was intended to include "onion powder."

However, a decision of the United States Court of Customs and Patent Appeals rendered May 9, 1950 (*Charles T. Wilson Company, Inc.* v. *United States*, No.4625) held "onion powder" to be a spice and dutiable at 12½ percent ad valorem under the above-quoted basket clause of paragraph 781.

SPICE CONCESSION TO INDIA NOT INTENDED TO INCLUDE "ONION POWDER"

India is not a substantial onion producer and it is not believed that she produces any dehydrated onions. India has never exported any onion powder to the United States and it is not anticipated that she will.

When the spice concessions under paragraph 781 were negotiated with India in 1947, it is not believed that "onion powder" was considered to be a spice or that any consideration was given, at the time, to onion powder. Also, it is believed that India has no substantial interest in retaining the reduced duty on onion powder.

THE SPICE CONCESSION TO INDIA SHOULD BE TECHNICALLY CORRECTED TO SPECIFICALLY EXCLUDE "ONION POWDER"

It is suggested that, in the forthcoming negotiations with India at Torquay, England, the spice concession to India be technically modified to specifically exclude "onion powder." This would be nothing more than a technical correction and not a withdrawal of a concession from India. Since India is neither a producer nor exporter of onion powder, it is not believed that India will have any objection to such a technical correction.

NO GATT COUNTRY HAS ANY SUBSTANTIAL INTEREST IN RETAINING THE REDUCED DUTY ON ONION POWDER

To the knowledge of the American dehydrated-onion industry none of the countries signatory to the General Agreement on Tariffs and Trade either produces or exports any substantial quantity of onion powder. Consequently, it is not believed that any of the GATT countries should have any objection to a technical correction of the spice concession to India which would specifically exclude

onion powder and permit the duty on onion powder to revert to the 25 percent ad valorem provided for in paragraph 781 of the Tariff Act of 1930.

Respectfully submitted.

J. H. HUME,
Basic Vegetable Products, Inc., Vacaville, Calif.
L. C. BELLISIME,
Gentry, Inc., Los Angeles, Calif.
R. L. PUCCINELLI,
Puccinelli Packing Co., Turlock, Calif.
LEON C. JONES,
J. R. Simplot Dehydrating Co., Caldwell, Idaho.

KARL D. LOOS,
JOHN BRECKINRIDGE,
Attorneys.

WASHINGTON, D. C., *September 14, 1950.*

STATE OF CALIFORNIA,
County of ———, *ss.:*

J. H. Hume being first duly sworn, on oath, deposes and says that he is the individual who signed the attached brief on the subject of dehydrated onion powder; that he is personally engaged in the dehydrated onion industry, being vice president of Basic Vegetable Products, Inc., with headquarters at Vacaville, Calif.; that he has been personally familiar with the dehydrated onion industry for many years last past; that he has read the attached brief and that the facts stated therein are true and correct to the best of his knowledge, information and belief.

J. H. HUME.

Subscribed and sworn to before me this 14th day of September, 1950.

[SEAL]

——— ———, *Notary Public.*

TABLE A (1).—*Dehydrated onion products—imports—invoice analysis January 1949 to May 1950*

	Sliced, kibbled, flakes, etc	Powdered net weight	Total net weight
		Pounds	*Pounds*
1949—January			
February			
March			
April			
May			
June			
July	1,410	4,480	5,890
August			
September	11,200	860	12,060
October	19,240		19,240
November	76,883		76,883
December	42,045	1,904	43,949
Total 1949	150,778	7,244	158,022
1950—January	25,200	5,600	30,800
February			
March	15,642	11,840	27,482
April	56,480	10,024	66,504
May	29,014	5,640	34,654
Total January to May 1950	126,336	33,104	159,440

Source: U. S. Tariff Commission.

TABLE A (2).—*Dehydrated onion products—imports—invoice analysis, January through May 1950*

	Net weight	Value	Country
January 1950:			
Dehydrated onions:	*Pounds*		
Kibbled	8,000	2,012	Egypt.
Do	11,200	2,480	Do.
Powder	5,600	1,000	Do.
Kibbled	6,000	1,201	Do.
Total	30,800	6,693	
March 1950:			
Onion powder and flakes	11,840	2,790	Do.
Dehydrated kibbled onions	11,200	2,498	Do.
Dehydrated onions	2,220	421	Do.
Do	2,222	361	Poland and Danzig.
Total	27,482	6,062	
April 1950:			
Dehydrated onion powder	4,424	822	Egypt.
Dehydrated kibbled onions	22,400	4,920	Do.
Do	22,080	5,157	Do.
Dehydrated onion powder	5,600	923	Do.
Dehydrated onions kibbled	12,000	2,467	Do.
Total	66,504	14,289	
May 1950:			
Dehydrated kibbled onions	22,400	4,800	Do.
Dehydrated onion powder	1,200	247	Do.
Dehydrated onion flakes	6,614	1,459	Do.
Dehydrated onion powder	4,440	888	Do.
Total	34,654	7,394	

Source: U. S. Tariff Commission.

TABLE A (3).—*Dehydrated onion products—imports—invoice analysis January through December 1949*

	Net weight	Value	Country
July:	*Pounds*		
Dehydrated onion flakes	1,410	$279	Egypt.
Dehydrated onion powder	4,480	1,268	Do.
September:			
Dehydrated onions	11,200	2,022	Do.
Dehydrated onions and onion powder	860	198	Do.
October:			
Dehydrated onion flakes	8,040	1,787	Do.
Dehydrated onions, kibbled	11,200	2,212	Do.
November:			
Dehydrated onions	260	47	Do.
Do	8,000	2,105	Do.
Dehydrated onion powder	2,800	700	Do.
Kibbled onions prepared	11,425	2,124	United Kingdom.
Dehydrated kibbled onions	22,400	4,800	Egypt.
Prepared onions	31,998	7,864	Do.
December:			
Dehydrated onion powder	1,904	441	Do.
Dehydrated onion flakes	8,970	2,197	Do.
Dehydrated onions, kibbled	22,050	4,835	Do.
Do	11,025	2,416	Do.
Total, 1949	158,022	35,295	

Source: U. S. Tariff Commission.

APPENDIX I. THE EGYPTIAN DEHYDRATED ONION INDUSTRY

FOREIGN SERVICE OF THE UNITED STATES OF AMERICA

Security: Unclassified. Priority: Air pouch.
To: Department of State.
From: Alexandria, 17. 874.315/1-3150.
Reference: Tucker.
Subject: The Egyptian dehydrated onion industry, annual review of 1949.

JANUARY 31, 1950.

INTRODUCTION

World War II is responsible for the development of the dehydrated onion industry in Egypt; for the country, an important onion producer, was cut off from the onion markets of the world.

The British military authorities, seeking to supply their armies in the Near East, induced the Egyptians to establish costly dehydrating plants which not only used important quantities of the main onion crop, but also saved shipping space and transportation costs.

The excellent quality of the Egyptian dehydrated product has enabled Egypt to enter the United Kingdom markets, once a monopoly of the Netherlands, Hungary, and Poland.

The Egyptian authorities noting the success of the dehydrated industry now consider the industry useful in combating unemployment and as an additional source of income in the national economy.

ADVANTAGES TO ONION TRADE

Dehydration offers many advantages to the local onion trade. First of all it absorbs surplus stocks which have a depressing effect on local prices using types of onions that are too delicate for storage and the export trade. It brings more profits by enabling the onion trade to put onions on the market in a dried state when fresh onions are out of season.

STANDARDS

Not more than 5-percent humidity is permitted in Egyptian dehydrated onions. This standard is difficult to obtain in local dehydrating plants and local manufacturers requested per mission to increase the humidity by 1 to 6 percent. This was refused because a lower standard would bring the Egyptian product into direct competition with Dutch and Hungarian products in the United Kingdom market.

VARIETIES DEHYDRATED

The dehydrated onion industry uses the entire surplus stocks of the Fetile variety onion, the crop season of which begins at the end of February and closes in July each year. The Megawar, often called the "water onion," and other winter crop varieties, which have their season December to February, are not dehydrated because of the small quantities cultivated and the heavy cost of dehydration.

The following table compares the production of Fetile onions with other varieties for 1948 and 1949:

Year	Onion crop	Fetile variety	Megawar and other varieties
	Metric tons	*Metric tons*	*Metric tons*
1948	213,585	197,691	15,894
1949	282,408	264,181	18,227

From the foregoing figures it will be seen that the Fetile onion used for dehydration represents about 93 percent of the total production.

PRODUCTION

There are eight dehydrating plants in Egypt, six of these being in Alexandria and two in Upper Egypt. The capacity of these plants is about 4,000 metric tons per annum.

The end of hostilities and the improved transportation facilities have had repercussions upon the dehydrated onion industry. Egypt lost her best customer—the allied armes—at a time when the world production of hydrated products increased and prices were lower. Faced by competition from foreign producers and low prices, the local industry has had to curtail operations. Production in 1949 is estimated at only 500 metric tons or only about one-quarter of production in 1948. There is given herein information about the nine Egyptian firms engaged in manufacturing dehydrated onions in Egypt.

Dehydration Co. of Egypt:
- Corporation: Registered in Egypt in 1946.
- Address: 153 Sharia Mohamed Farid Bey, Cairo.
- Capital: £E 75,000 divided into 18,750 ordinary shares fully paid up.
- Remarks: Company is engaged in vegetable dehydration, limiting its activities to the treatment of onions. In 1948 it exported 800 tons of dehydrated onions valued at £E 125,000. It also owns a starch factory.
- Plant: Plant is at Sharia Mosquee, Gabbary, Alexandria.

Egyptian Dehydrating Industries (Charbit Gueziri & Co.):
- Partners are: The National Products Co. of Egypt and Charbit & Co.
- Office: 129 El Tatwig, Alexandria.
- Plant: At Nouzah, Alexandria.
- Annual production of dehydrated onions 100 metric tons, capacity 400 tons.

Egyptian food processing and essential oil factory (Ivens & Co.):
- Address: 3 Sharia Baehler, Cairo.
- Partners are:
  - Kenneth Burnett Ivens.
  - Ernest Meuczer.
- Capital: £E 10,000.
- Plant: At Maghagha, upper Egypt.

Food Products, S. A. E.:
- Corporation: Registered in 1944.
- Head Office: 69 Avenue Fouad ler, Alexandria.
- Capital: £E 160,000 divided into 40,000 ordinary shares of £E 4 fully paid up.
- Remarks: Have dehydrated plant at Gabares, Daira Sultan Hussein, Behera, not operating.

Standard Food Products Co., N. G. Papassotiriou & Co.:
- Partnership: Established in 1931, registered in 1943, reorganized in 1949 to take over business of C. M. Salvago & Co.
- Activities: Manufacturers of dehydrated onions and vegetables.
- Capital: £E 65,000.
- Address: 25 Rue Cherifa Pacha, Alexandria.
- Dehydrating plant: Kafr El Selim, Kafr El-Damar, Alexandria. Annual output 250 metric tons, capacity 450 metric tons.

Sabbagh Bros. & Co.:
- Partnership: Registered in 1943.
- Capital: £E 10,000.
- Head office: 27 Boulevard Saad Zaghloul, Alexandria.
- Activities: Merchants in cereals, vegetables, fruits, colonial products and engaged in dehydrating industry.
- Plant: At Rue Touchandi, Gabbary, Alexandria. Production dehydrated vegetables 400 metric tons, capacity 700 metric tons.

Nile Produce Export Co. (Joseph Xerri & Co.):
- Partnership: Organized in 1923.
- Capital: £E 40,000.
- Address: 12 Rue Cherif Pacha, Alexandria.
- Plant: Hagar El Nawalieh, Alexandria. Annual production dehydrated vegetables 100 metric tons, capacity 250 metric tons.

Societe Egyptienne pour la Fabrication et l'Exportation des Conserves, S. A. E.:
- Corporation: Organized in 1939 at Maghagha, upper Egypt.
- Head office: 4 Young Street, Alexandria.
- Capital: £E 50,000 divided into 10,000 ordinary shares of £E 5 fully paid up.
- Plant: At Maghagha, upper Egypt. Output 250 metric tons per year.

The total capital employed in the dehydrated onion industry is estimated to be £E 350,000, 60 percent of which is Egyptian and the remainder represents investments made by European residents in Egypt.

EXPORTS

The entire production of dehydrated onions is exported, the United Kingdom, Switzerland, and the United States being the principal buyers.

Kibbled onions make up 60 percent of the dehydrated onions exported from Egypt, the rest being powdered.

The following table compares imports of dehydrated onions during the last 10 years:

Year	Metric tons	£E.[1]	Year	Metric tons	£E.[1]
1940	179	9,270	1945	403	63,956
1941	289	33,019	1946	971	145,823
1942	320	49,102	1947	538	69,966
1943	284	44,708	1948	2,249	309,595
1944	492	75,085	1949 (January to September)	425	57,647

[1] 1 Egyptian pound equals $2.880516.

Export figures for 1949 estimated at 500 metric tons mark a 75-percent decrease on 1948 figures.

Declared exports to the United States in 1949 amounted to 50 short tons valued at $20,283 in 1949 as compared with 2 short tons worth $1,237 in 1948.

PACKING

Dehydrated onions are usually packed in tons of 4 imperial gallons. Tins containing "kibbled onions" weigh 16 pounds, whereas white powdered onions are placed in tins which weigh 26 pounds. Two tins are packed in a fiber-board carton and then sealed by the Egyptian Export Control Office at Alexandria.

In early 1949 the dehydrated onion encountered difficulties in obtaining tin plate, usually imported from hard currency countries, for the manufacture of its containers. The Government in an attempt to aid the industry established an office for the importation of tin plate which was to pool all purchases of tin plate at a fixed price. The scheme did not work out as planned for prices of tin plate purchased through the Government office was 25 percent higher than that imported directly by the factories. Furthermore the tin plate situation was complicated by a demand from the tin-plate office for payment in hard currency. Finally, at the request of the dehydrated onion industry the Government abandoned its central purchasing agency for tin plate and left the dehydrating factories free to arrange for their own supplies of tin plate.

PRICES

Prevailing prices for Egyptian dehydrated onions in 1949 and January 20, 1950, were:

	1949 price per metric ton	Jan. 20, 1950, price per metric ton
Kibbled	U. S. $550 c and f	U. S. $700 c and f.
Powdered	U. S. $500 c and f	U. S. $650 c and f.

MARKET SITUATION

1949 was not a good year for the Egyptian dehydrated onion industry and exports showed an alarming drop.

The United Kingdom, which normally takes nearly 90 percent of the total exports, reduced its purchases considerably during the latter part of 1948 because of pure food regulations. In the early part of 1948 the British Army laboratories discovered traces of lead in Egyptian dehydrated onions varying from 5 to 32 parts in a million. The Egyptian factories were inspected by the British and

upon producing proof that the lead found in Egyptian dried onions was not due to any processing but is found in the onion itself the British ban was lifted.

However, the damage had been done and, while the Egyptian dehydrated onions were off the English market, Hungary and Poland loaded it with their products. Surplus stocks in London from these countries in November 1949 were 200 tons. The delay in the issuance of export permits did not aid the exporters in their efforts to recapture the British market.

The American market showed interest in Egyptian dehydrated onions and trade sources reported more business might have been done had local Egyptian manufacturers kept faith with their American clients. This was taken up at the meeting of the onion committee at its meeting of November 29, 1949. One of the members reported certain manufacturers inspired by false appraisal of competition offered their products in the American markets at very low prices without delivering the merchandise they sold. These methods, the member claimed, made it difficult if not impossible to export to America. He produced proof to support his charges and requested a minimum price be fixed for exports to the United States.

The dehydrated onion exporters expect a good year in 1950. There is a steady demand from the United Kingdom, Switzerland, and the United States. They think the poor onion crop in the United States will lead to heavy American purchases abroad. Perhaps even Canada, dependent upon the United States for dried onions, will use Egyptian onions.

To meet competition from Poland, Hungary, and Netherlands the local dehydrated onion manufacturers have requested the Government to permit the labeling of Egyptian dehydrated onions as "Special" the top quality of Egyptian onions instead of as second quality "Commercial" now used. The trade claims the dehydrated onions are manufactured from "Special" Fetile onions known to the onion trade as the best quality Egyptian onions and should carry the label "Special."

QUINCY F. ROBERTS,
American Consul General.

Sources:
N. G. Papassotiriou (Standard Food Products Co.), Alexandria.
Sabbagh Bros., Alexandria.
Greek Chamber of Commerce, Alexandria.
Local press.
International Office of Import-Export Statistics, Alexandria.
Cc: American Embassy, Cairo.

WEST COAST OF MEXICO VEGETABLE
ASSOCIATION OF NOGALES, ARIZONA,
Nogales, Ariz., March 12, 1951.

Hon. WALTER GEORGE,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: This association is composed of American firms who make the initial sales and distribution of approximately 86 percent of the fresh tomatoes, green peas, green peppers and canteloupes grown in Mexico for export to the United States.

We wish to request that the Senate Finance Committee give serious consideration to this statement and vote against the following amendment to the Trade Agreements Act which is now before you for consideration:

"SEC. —. (a) Whenever, upon the recommendation of the Secretary of Agriculture, the President has reason to believe that any one or more perishable fruits or vegetables are being or are practically certain to be imported into the United States under such conditions or in such quantities as to materially interfere with the orderly marketing of such commodity or commodities in the United States, he shall establish such import quotas on any such commodity as he may find necessary to provide for the orderly marketing of such commodity in the United States. Such quotas shall be established on a daily, weekly, monthly, quarterly, or yearly basis, as may be advisable in the case of each respective commodity.

"(b) Any such quota shall be fixed at a point calculated to maintain the price received by American producer at the parity level, and may be adjusted from time to time, upon the recommendation of the Secretary of Agriculture, with a view to maintaining the parity price.

"(c) In the formulation of his recommendations to the President the Secretary of Agriculture shall consult domestic producers and such representatives of foreign

producers as he may deem to be of assistance in the formulation of mutually advantageous regulations."

The principal reasons why the amendment should not be passed is that it would make it almost impossible for foreign growers to produce crops for export to the United States when they have no way of knowing whether or not the United States will permit the entry of such perishable commodities. Another reason is that the adoption of this amendment would create ill will of the Mexican people toward the United States, and no doubt create ill will of other foreign producers of crops of perishable fruits and vegetables for export to the United States.

The principal crop which the growers on the west coast of Mexico raised, for export through the members of this association, is fresh tomatoes. The average annual shipments of these growers amount to something like 7,300 carloads of tomatoes, or about 210,000,000 pounds shipped during the winter months from November through May. The principal competing area in the United States is in the State of Florida.

During the past 18 months this association has conferred with the Florida Fruit and Vegetable Association in an effort to try to work out some arrangement whereby the competition between the two principal producing groups of winter tomatoes would be less harmful. A plan was evolved and we agreed to recommend it to our growers in Mexico that they in turn present the plan to their government for consideration. A copy of the agreement is enclosed for information of the Finance Committee members. In effect the plan called for agreement among all the growers' associations in the United States who would be affected, all the growers' associations in Mexico, and the Growers' association in Cuba, and that after the agreement among all groups concerned, that the groups in each country recommend to their governments that a trade treaty be negotiated between the United States and Mexico, and between the United States and Cuba, to put into effect the plan to regulate the import of tomatoes from Mexico and from Cuba into the United States during the months of November through May each year, and that the United States lower the rate of duty on tomatoes imported during those months.

Under the plan, naturally, the Government of Mexico would be able to protect its growers, and make a part of the treaty such provisions as it deemed necessary for that purpose, and in consideration for its agreement to limit shipments the United States would reduce the duty rates. The members of this association never agreed to support in any manner an amendment to our Trade Agreements Act which would make it mandatory for the President of the United States to impose quotas unilaterally when he "has reason to believe that a commodity was being, or practically certain to be, imported into the United States under such conditions as to materially interfere with the orderly marketing of such commodity in the United States."

We now mention the plan we considered with the Florida Vegetable Association representatives because Mr. L. L. Chandler, chairman of that association has made a statement to your committee on March 1, 1951. In this statement he mentioned that this association had agreed on a plan, without giving the complete plan, and by inference the Finance Committee might consider that this association supports the amendment to the Trade Agreements Act above mentioned. We wish to say flatly that we do not support such an amendment and we are on record as having opposed the Magnuson Act last year which in effect would have brought about the same results as proposed in this amendment.

It has been shown in studies made by the Committee for Reciprocity Information that the tomatoes imported into the United States from Mexico and Cuba during the winter months serve the purpose of supplying that part of the market which domestic producers are unable to do because of weather conditions. The amount of acreage planted in tomatoes in Cuba and Mexico each year has kept pace with the increasing demand for this commodity in the United States. The official records for several years show that the domestic producing areas cannot produce tomatoes in sufficient quantities to supply the demand of United States consumers. In some years the domestic producer does produce large quantities of this commodity, but never in such quantities to supply the full needs of the consumers. In more years unfavorable weather conditions reduce the domestic production to such an extent that only half of the market demand can be filled by the domestic growers. In such years the Mexican and Cuban tomatoes are relied upon to supply the consuming public with half of volume required. These growers in Cuba and Mexico have cultivated their lands, have planted and grown their tomatoes on their estimate of what they can sell in the United States. They have made arrangement for materials and have made all the other advance plans

which are necessary in the growing of crops for the export trade. If the weather in the United States is favorable to the domestic grower, and a large domestic production is obtained, the Mexican and Cuban growers must perforce abandon a part of their crops because of the lack of demand, or because it is unprofitable to ship their product long distances and pay a duty besides. For it is a matter of official record that the domestic producer has been able to sell profitably all the tomatoes he can produce each year, be the amount large or small, for the foreign producer cannot compete with the domestic producer under the handicaps with which he is confronted. We urge that each member of the Finance Committee study the reports of the Committee for Reciprocity Information and the Tariff Commission on this subject, and which confirm the statements made in this letter.

Mr. Chandler has stated before you that the increased production of tomatoes in Mexico and Cuba has hurt the Florida growers, and to a lesser extent growers in Texas and California, and that unless restrictions or quotas were enforced against the import of vegetables from those countries, the domestic grower of tomatoes would be ruined economically. To disprove this statement we submit herewith a report made by the Florida State Marketing Bureau, a production, transportation, and marketing analysis of the 1949–50 season. On page 84 of this report you will find a record of the acreage, yield, price, and total annual f. o. b. value of tomatoes grown in Florida for the seasons 1931–32 through the seasons 1949–50. This report shows that the amount of acreage planted in tomatoes has changed little since 1933–34, but that the value of the crops has increased steadily since that date to the present time. In 1933–34 the total f. o. b. packed value of the Florida tomato crop was $8,476,000. The 1949–50 season value was $32,247,000, or approximately four times the value in 1933–34.

Mr. Chandler, speaking for the amendment on behalf of the Florida association, stated that costs of producing tomatoes in Florida had grown to such an extent that it was fast becoming unprofitable to grow them, although at the same time he informed you that the Florida vegetable crops produced a gross income in excess of $100,000,000. However, in a preliminary report made by the Florida agricultural experiment stations for the 1949–50 season it is shown that the net profit per acre of tomatoes grown in Florida was from $52.04 to $116.75 in all areas except one, where the net profit was $5.79. In the latter area, however, the average net profit over four seasons, 1946–47 to 1949–50, was $124.67. Note that this profit is net. We do not have available records of costs and profits for any years prior to 1946, but the present net profit is not one that indicates economic ruin for the Florida tomato producer. The same can be said regarding other domestic vegetables and fruits competing with those commodities imported from other countries.

As an example of the statement that when there is a high yield and production of tomatoes in the United States the domestic grower is able to sell his tomatoes profitably, while the Mexican grower has to abandon part of his crops and sell at little or no profit, the records of shipments of Florida tomatoes and Mexico tomatoes over the past three seasons is given herewith:

Season	Mexico, carloads	Florida, carloads	Value Florida crop
1947–48	7, 744	7, 608	$22, 936, 000
1948–49	7, 620	13, 690	32, 666, 000
1949–50	6, 394	14, 800	32, 247, 000

NOTE.—Figures for Florida taken from report made by Florida State Marketing Bureau. Figures for Mexico taken from files of West Coast of Mexico Vegetable Association. No figures are available on the value of the Mexico tomatoes shipped to the United States during the seasons given.

Herewith are figures showing the percentage of cars of tomatoes shipped from the west coast of Mexico to each section of the United States and Canada for the seasons 1947–48 through 1949–50. It will be noted that in 1947–48 season a much larger percentage of Mexican tomatoes were sold in eastern and midwestern markets when supplies from Florida were relatively light; whereas, in the 1948–49 and 1949–50 seasons, when favorable weather permitted Florida to produce and ship almost twice the amount shipped in the 1947–48 seasons, the percentage of Mexican tomatoes shipped to eastern and midwestern markets declined sharply. This definite proof that Florida growers are able to market all the tomatoes they can grow; and at the same time the shipments of Mexican tomatoes decline and good portions of the crops are abandoned in the fields.

	Percentages					Total number cars
	East	Midwest	West	South	Canada	
1947-48	20	31	41	8	(1)	6,644
1948-49	3	16	52	3	26	5,620
1949-50	3	15	59	1	22	5,981

[1] Embargo.

These figures were compiled from reports made by the Nogales office of the Pacific Fruit Express Co.

The reason Mexican tomatoes cannot compete on equal terms with those grown in Florida and other domestic areas, and that their sales are reduced in quantity when there is a large domestic crop, is because of the high import duties, and even more on account of the fact that the distance from the areas where the Mexican tomatoes are grown is so much greater than the distance from the domestic producing areas to the markets. Because of the longer distances, Mexican tomatoes ripen before they get to market and over the long distances in the freight cars the tomatoes are bruised and otherwise damaged. Therefore, the buyers in the markets must figure that a large part of a car of Mexican tomatoes bought by him will have to be discarded. Department of Agriculture records of prices for which tomatoes from all domestic and foreign areas are sold in the markets of the United States are available, and show that Mexican tomatoes in almost all instances sell at lower prices than domestic grown tomatoes. As stated above, they are sold at lower prices because there are less salable tomatoes in each crate after travling over long distances and over a longer period of time. For instance, it takes 14 days to ship a carload of tomatoes from Mexico to New York and other eastern seaboard points, while is takes only 2 days to truck (the form of transportation by which about two-thirds of the Florida tomatoes are shipped) or 3 days by rail.

Following is a summary made by Representative Doughton, chairman of the House Ways and Means Committee in the Eighty-first Congress, at the end of the hearings before that committee in early 1949 when it was considering extension of the Trade Agreements Act:

"In the course of these hearings it has been asserted that during certain periods very large percentages of the fresh tomatoes consumed in the United States have been imported. On that assertion has been based the implication that because of tariff reductions under reciprocal-trade agreements these imports have caused returns to the American tomato growers to be reduced; and that these losses have been due to competition with foreign growers whose advantage has been chiefly in the lower wages paid to their laborers. Regardless of whether the import statistics are accurate the facts do not bear out these implications.

"Fluctuations in domestic production, due largely to weather conditions, have been the major factor in determining the volume of imports. In other words, imports have filled that portion of the United States market not supplied by domestic production. When domestic production has increased, imports have declined as have the percentages of the total supply which they furnish. During the import season (December 1 to May 31) in recent years the total market supplies of fresh tomatoes—domestic production, plus imports, less exports, have tended to increase steadily.

"* * * Increased population, full employment, and sustained buying power in the United States may be expected to sustain consumption and prices of fresh tomatoes at high levels. Volume of imports will continue to be determined by these factors and by weather conditions affecting United States production."

The adoption of the proposed amendment to the Trade Agreements Act would do irreparable damage to that act and would be the opening wedge to completely destroy the act. No foreign producer can take such a gamble in the growing of crops of perishable commodities when, in addition to the usual handicaps of weather and growing hazards and the competition of domestic growers who already have a very great advantage over him, there is added the probability that his shipments will be stopped and quotas applied against him after his crop is matured and ready for the market.

As can be seen, the present conditions give the domestic grower the great advantage over the foreign producer and that advantage permits the domestic producer to market his products profitably during years of large production in the

United States, while the foreign producer's shipments are curtailed and part of his crops must be abandoned.

Respectfully submitted,

GEORGE R. MARTIN, *Secretary Manager.*

P. S.—May we request that a copy of the hearings before your committee be mailed to us when they are printed.

G. R. M.

MAY 31, 1950.

Mr. LUTHER L. CHANDLER,
Chairman, Florida Fruit and Vegetable Association, Orlando, Fla.
Mr. DIXON PIERCE,
Vice Chairman, Florida Fruit and Vegetable Association, Orlando, Fla.

DEAR MR. CHANDLER AND MR. PIERCE: As a result of the negotiations which we have conducted with you, as representatives of the Florida Fruit and Vegetable Association, since September 1949, we wish to state that the West Coast of Mexico Vegetable Association of Nogales, Ariz., has agreed in principle, subject to amendments which we may mutually agree upon later, to the joint plan evolved from our negotiations as a basis upon which to solve the competitive problems existing between growers and shippers of tomatoes in the United States, and growers and shippers in Mexico who export tomatoes to the United States for sale in the markets of the United States.

In effect, the following is our understanding of the agreement jointly agreed upon between your association and ours:

1. That Mexico, including all growing and shipping areas, ship not to exceed 7,265 carloads of tomatoes to the United States per annum, during the months November to May, inclusive.

2. That the exports of Mexican tomatoes to the United States be regulated on a daily basis in accordance with the following schedule:

	Number of cars to be permitted to cross the border daily from Mexico to United States	Total for month
November	25	750
December	35	1,050
January	35	1,050
February	35	980
March	45	1,395
April	45	1,395
May	20	620
Total		7,265

3. That a weekly tolerance of 10 percent be allowed to correct train delays, accidents, etc., which will operate as follows:

If for some reason the number of cars permitted to cross the border daily is not met, 10 percent of the week's total permitted shipments may be shipped in the week following, in addition to the cars allotted to cross in that week following. As an example, suppose that shipments are being made in March at the rate of 45 carloads daily. During that week the daily shipments for 2 days amount to only 30 cars each day. The total shipments for that week would amount to only 285 carloads instead of the scheduled 315 carloads. Ten percent of 315 would be 31.5 carloads. Therefore the 30 carloads which were not shipped during that week could be shipped during the next week, in addition to the allotted 315 cars allotted for that succeeding week.

4. That shipments of carloads of tomatoes from Mexico to Canada which cross the border shall not be charged against the total carloads allotted for shipment from Mexico to the United States.

5. That the Florida Fruit and Vegetable Association present this agreement to the representatives of the various associations in the United States whose members grow or ship tomatoes with their recommendation that those associations adopt

this agreement and become parties to the agreement, and to use their influence and efforts to put the provisions of the agreement into effect among their members, by shipping agreements, and by urging the various Government departments to use the agreement as a basis of a treaty with Mexico as indicated in paragraph 6 below.

6. That the associations in the United States who are to become parties to this agreement, petition the Government of the United States to negotiate a treaty with Mexico based on this agreement, as outlined herein or as amended, in order to give the provisions of the agreement the force and effect of Government sanction by the two nations, and in order that the schedule of daily shipments may be enforced under governmental control.

7. That the West Coast of Mexico Vegetable Association agrees to submit this agreement to the several growers' associations in Mexico, whose members grow tomatoes for export to the United States, with the recommendation that they adopt its provisions and that they become parties to the agreement and they petition the Mexican Government to negotiate a treaty with the United States Government, in order to give the provisions of the agreement the force and effect of Government sanction.

8. That the West Coast of Mexico Vegetable Association agrees to recommend and urge the various associations of growers of tomatoes in Mexico to put into effect immediately the provision of the agreement regarding daily shipments, in the belief that regulated distribution of our tomato shipments will benefit the industry by eliminating periods when the volume of shipments are greater than the markets can reasonably handle, with the resulting drop in prices.

9. That as a part of the agreement all associations in the United States and in Mexico which become parties to this agreement will petition their respective Governments to include in their trade treaty agreement provisions that the United States import duty on tomatoes imported from Mexico be reduced from the present rate of 1½ cents per pound, to three-fourths of a cent a pound, and that the Mexican Government cancel all export duties on tomatoes exported to the United States.

10. That an agreement be worked out at a later date to provide that in the event of some disaster, such as floods, freezes, or disease, which reduces the production in the growing areas of the United States, Mexican daily shipments of tomatoes to the United States may be increased over the amounts listed in paragraph 2 above.

Very truly yours,

George R. Martin,
Secretary-Manager, West Coast of Mexico Vegetable Association.

Florida shipments by various means of transportation for 10 seasons

Commodity	Total freight, express, boat, and truck shipments from Florida									
	1940–41	1941–42	1942–43	1943–44	1944–45	1945–46	1946–47	1947–48	1948–49	1949–50
Squash	875	839	700	840	947	1,053	1,045	1,315	1,498	1,658
Field peas (truck) [1]	215	200	110	220	288	553	658	804	728	630
Okra (truck) [1]	83	63	25	39	76	155	111	186	252	265
Bunched vegetables (truck) [1]	66	70	30	114	45	59	50	110	56	38
Other vegetables (truck) [1]	437	422	265	247	225	340	434	619	870	1,310
Other vegetables (freight and boat) [2]	139	89	133	364	426	484	226	186	202	249
Mixed vegetables (freight and express) [3]	1,750	2,718	5,047	7,138	8,032	8,396	5,552	4,975	4,905	4,990
Total vegetables	46,940	54,931	46,353	55,759	57,564	66,483	48,326	59,347	75,684	83,268
Total vegetables and miscellaneous fruits	54,466	62,484	50,552	63,059	67,432	77,232	60,571	72,724	90,310	99,424
All fruits and vegetables	140,839	138,119	136,072	155,721	140,501	159,077	148,602	149,511	187,030	166,757

[1] Truck shipments only, with small volume included in miscellaneous or mixed cars.
[2] Freight and boat only.
[3] Freight and express only. Estimated 100 straight cars radishes not reported or included.

Rail freight shipments by counties, 1949–50 season (Aug. 1–July 31)

[Carlots]

Florida counties	Oranges	Grapefruit	Tangerines	Mixed citrus	Total citrus	Beans and limas	Beets	Broccoli
Alachua	85	3	1	8	97	67		
Bradford								
Brevard	661	480		219	1,360			
Broward						721		
Citrus	6	2		1	9			
Clay								
Collier								
Columbia								
Dade	1				1	79		
De Soto	194	36	21	78	329			
Dixie								
Duval	340	47	47	57	491			
Escambia								
Flagler								
Gilchrist								
Glades								
Hamilton								
Hardee	2				2			
Hendry								
Hernando	107	28	132	27	294			
Highlands	943	294	36	139	1,412			
Hillsborough	443	172	50	215	880			
Indian River	216	532	1	127	876			
Jackson								
Jefferson								
Lafayette								
Lake	1,760	605	216	764	3,345	5		
Lee	27	48		20	95			
Leon								
Levy								
Madison								
Manatee	62	55		3	120	3		
Marion	669	160	6		835	38		
Martin				45	45			
Okeechobee								
Orange	4,092	971	892	944	6,899	35	6	2
Osceola	9	10	4	7	30			
Palm Beach						1,555		
Pasco	141	77	4	35	257			
Pinellas	153	1,492	19	122	1,786			
Polk	3,342	2,171	563	1,419	7,495			
Putnam	103	1	33	48	185			
St. Johns								
St. Lucie	62	145	4	56	267			
Sarasota	23	114		32	169			
Seminole	598	154	138	237	1,127	19		
Sumter	3		1		4	28		
Suwannee								
Union								
Volusia	303	74	37	201	615			
Walton								
Washington								
Unknown								
Straight cars	14,345	7,671	2,205	4,804	29,025	2,550	6	2
Boat	3,087	1,662	409		5,158			
Pick-up-express				3,062	3,062			
Grand total	17,432	9,333	2,614	7,866	37,245	2,550	6	2

Acreage, yield, and value of tomatoes in Florida by seasons

Season	Harvested acreage	Yield (bushel)	Harvested produce		Abandoned [1]	Volume used	Price (bushel)		F.o.b. packed total value
			Fresh	Canning			Fresh	Canned	
1931-32	23,700	95	2,255,000			2,255,000	$2.55		$5,748,000
1932-33	24,900	94	2,343,000			2,343,000	1.87		4,377,000
1933-34	30,500	113	2,886,000	557,000		3,443,000	2.86	$0.39	8,476,000
1934-35	32,500	102	2,714,000	589,000		3,303,000	2.46	.28	6,835,000
1935-36	32,600	100	2,954,000	321,000		3,275,000	2.75	.31	8,224,000
1936-37	35,700	86	2,746,000	314,000		3,060,000	2.76	.32	7,688,000
1937-38	45,300	120	4,953,000	500,000		5,453,000	1.73	.28	8,711,000
1938-39	40,700	129	4,948,000	312,000		5,260,000	2.47	.28	12,323,000
1939-40	34,000	88	3,225,000	232,000		3,457,000	2.53	.28	8,216,000
1940-41	26,500	110	2,765,000	165,000		2,930,000	3.10	.28	8,618,000
1941-42	43,000	101	3,412,000	951,000		4,363,000	3.92	.46	13,821,000
1942-43	25,500	102	2,226,000	(2)		2,226,000	5.30	(2)	11,795,000
1943-44	34,900	109	3,405,000	395,000		3,800,000	5.72	.59	19,712,000
1944-45	32,500	137	4,456,000	289,000	342,000	4,403,000	5.27	.72	20,376,000
1945-46	30,400	154	4,670,000	265,000	221,000	4,714,000	5.25	.74	22,405,000
1946-47	29,800	107	3,198,000	306,000		3,504,000	6.50	1.00	19,098,000
1947-48	30,200	130	3,588,000	346,000		3,934,000	5.83	.75	22,936,000
1948-49	38,200	183	6,300,000	675,000		6,975,000	[3] 5.12	[3] .64	32,666,000
1949-50	42,500	163	6,448,000	469,000		6,917,000	[4] 4.96	[4] .50	32,247,000

[1] Not harvested, due to economic abandonment (poor markets). All 1949-50 acreage figures are preliminary as of Sept. 20, 1950, and are subject to revision.
[2] Separate volume and price not available for 1942-43 season.
[3] Average, $4.68.
[4] Average, $4.66.

A Study of the Competitive Position of Mexican-Grown Imported Tomatoes in the United States Market and the Effect of These Imports on the Production and Price of United States-Grown Tomatoes

(Prepared by George R. Martin, secretary-manager, West Coast of Mexico Vegetable Association)

This study is an attempt to analyze the competitive position of Mexican-grown tomatoes sold in the United States market, and the effect these imports have on the production and price of tomatoes grown in the United States, as well as the part the import of Mexican-grown vegetables plays in the over-all picture of trade between Mexico and the United States. Liberal use will be made of quotations and statistics from reliable sources, principally from State and Federal Government publications.

The United States normally imports fresh tomatoes from Mexico and Cuba, and at the same time exports tomatoes to Canada. The imports come in competition with the late fall, winter, and spring production of Texas, California, and Florida. The bulk of these imports enter this country during the winter and early spring. This is also the period when considerable quantities are exported from the United States in competition with exports to Canada from Mexico and Bermuda.

The shipments of California and Mexico rarely conflict. The small element of competition that occurs comes during the months of November, December, April, and May.

The month when Texas tomato shipments come most in competition with those of Mexico is in May, and occasionally in April. During those months Mexico is nearing the end of its season and the vines from which the tomatoes are picked are getting old. When Texas tomatoes from their new crop reach a high volume the demand for Mexican-grown tomatoes drops to such an extent that the Mexican producers are forced to stop shipping.

The Florida winter and early spring crop of tomatoes matures at about the same time as the Mexican crop, so that it is the Florida producer who most feels the effect of Mexican imports. For this reason this study will deal mostly with Florida shipments and the effect of Mexican imports on their production and prices.

The following table gives the volume, in carlots, of tomatoes shipped from Florida and from Mexico during the last 11 years. Beginning in 1941-42, an average of about 700 carlots of these Mexican shipments were shipped annually to Canada and, therefore, did not enter in competition with tomatoes sold in the United States markets.

TABLE No. 1.—*Tomatoes (November to June 30)*

Season	Florida carlots	Mexico carlots	Total, all shipments to United States markets
1938-39	14,017	1,272	30,734
1939-40	8,891	1,423	26,388
1940-41	7,680	4,519	24,896
1941-42	9,029	5,735	27,889
1942-43	6,067	7,415	26,077
1943-44	7,782	6,300	32,139
1944-45	8,131	8,160	38,067
1945-46	8,818	7,324	39,291
1946-47	5,775	8,194	32,069
1947-48	7,608	7,744	29,959
1948-49	13,709	7,620	[1] 32,000
Average for 11 years	8,864	5,975	30,865

[1] Estimated.

Source: The figures for Florida shipments were taken from the Annual Fruit and Vegetable Report of the Florida State Marketing Bureau, 1947-48 season, issued Oct. 11, 1948.

Mexican shipments and total shipments to United States markets figures were taken from two U. S. Department of Agriculture publications, Carlot Shipments of Fresh Fruits and Vegetables by Commodities, States, and Months, published annually, and Weekly Carlot Shipments, published weekly, and from source material in Nogales, Ariz., and from U. S. Customs Report at Laredo, Tex.

Table No. 2 gives the acreage, yield, production, and values for Florida commercial shipments. It also gives the same figures for Mexican export shipments where available.

TABLE No. 2.—*Tomatoes—Seasons 1930-31 to and including 1948-49*

Season	Acreage	Yield, bushels	Production, bushels	Price per bushel	F. o. b. packed, total value	Place
1930-31	26,800	75	2,120,000	$1.87	$3,768,000	Florida.
	26,474	58	2,107,139		2,751,744	Mexico.
1931-32	23,700	95	2,255,000	2.55	5,748,000	Florida.
	30,974	64.6	2,447,689		2,773,224	Mexico.
1932-33	24,900	94	2,343,000	1.87	4,377,000	Florida.
	23,484	51.13	958,626		882,151	Mexico.
1933-34	30,500	113	2,886,000	2.86	8,476,000	Florida.
	11,589	60	557,308		669,429	Mexico.
1934-35	32,500	102	2,714,000	2.46	6,835,000	Florida.
	12,644	66.3	1,009,126		681,262	Mexico.
1935-36	32,600	100	2,954,000	2.75	8,224,000	Florida.
	15,508	85.8	1,110,072		737,812	Mexico.
1936-37	35,700	86	2,746,000	2.76	7,688,000	Florida.
	15,315	96.7	1,449,443		623,771	Mexico.
1937-38	45,300	120	4,953,000	1.73	8,711,000	Florida.
	12,474	91	875,698		407,014	Mexico.
1938-39	40,700	129	4,948,000	2 47	12,323,000	Florida.
	15,380	89.62	599,862		228,821	Mexico.
1939-40	34,000	88	3,225,000	2.53	8,216,000	Florida.
	13,116	80	681,177		306,628	Mexico.
1940-41	26,500	110	2,765,000	3.10	8,618,000	Florida.
	19,693	107	1,800,119		814,542	Mexico.
1941-42	43,000	101	3,412,000	3.92	13,821,000	Florida.
	27,238	105.4	2,761.615		1,271,254	Mexico.
1942-43	25,500	102	2,226,000	5.30	11,795,000	Florida.
	30,818	119	3,788,127		1,403,128	Mexico.
1943-44	34,900	109	3,405,000	5.72	19,712,000	Florida.
	39,064	100 8	3,540,760		2,139,330	Mexico.
1944-45	32,500	137	4,456,000	5.27	20,376,000	Florida.
	45,852	99	4,665,000		[1]	Mexico.
1945-46	30,400	154	4,670,000	5.25	22,405,000	Florida.
	43,786	96	3,737,183		[1]	Mexico.
1946-47	29,800	107	3,198,000	6.50	19,098,000	Florida.
	[1]	[1]	[1]		[1]	Mexico.
1947-48	30,200	130	3,588,000	5.83	22,936,000	Florida.
	[1]	[1]	[1]		[1]	Mexico.
Average:						
18 years	32,194	108	3,265,800	3.60	11,840,000	Florida.
16 years	23,980	85.77	2,005,599		1,120,722	Mexico.
1948-49	[1]	[1]	5,185,000	5.25	27,221,000	Florida.
	[1]	[1]	[1]		[1]	Mexico.
Average: 19 years			3,366,800	3.69	12,755,684	Florida.

[1] Not available.

Sources: The figures for Florida were taken from the Annual Fruit and Vegetable Report of the Florida State Marketing Bureau, 1947-48 Season, issued Oct. 11, 1948.

The figures for Mexico were taken from Foreign Agricultural Report No. 21, issued in May 1947 by the Office of Foreign Agricultural Relations of the United States Department of Agriculture, tables 6, 12, and 13 and from USDA Annual Reports and from United States customs figures at Laredo, Tex.

A study of tables No. 1 and No. 2 indicates more or less stability in the quantity of production in Florida, the variance in production and shipments from year to year being due principally to weather conditions, and increased demand. The bushel yield per acre is a further indication that the weather plays an important role in the amount of production.

The following statement is quoted from the Annual Fruit and Vegetable Report of the Florida State Marketing Bureau, 1947–48 season:

"The regularity of occurrence of storms and freezes the past few years keeps us from using the old stock phrase of calling these phenomena 'unusual'. We have started off too many seasons with hurricanes and have had enough cold weather in January and February to deem them abnormal. The crop year of 1947–48 was no exception. The season began with a hurricane in September which was accompanied by heavy rains. Three months of recuperative weather followed and in mid-January the winter freeze occurred." (See p. 60.)

"*Vegetables.*—Heavy fall rains reduced the acreage and production of early vegetables, delaying seeding of tender crops in some areas so that a greater than usual toll was taken in the mid-January freeze. Over-all loss of acreage from weather conditions amounted to some 30,000 acres out of 270,000 acres planted. This loss was not as heavy as the year before when 25 percent of the planted acreage or nearly 70,000) was destroyed." (See p. 60.)

While the figures above indicate that Florida growers produce as many tomatoes for commercial purposes each year as the weather will permit, and that the profit per acre and per bushel has increased steadily year by year, every second or third year breaking all previous records for bushel and annual values and profits, the Florida Fruit and Vegetable Association has claimed that their growers and shippers have lost a major part of their domestic markets by being forced to compete with tomatoes produced in Mexico and Cuba. The following quotation is taken from a letter dated May 7, 1948, by the manager of the Florida association, addressed to Hon. B. W. Gearhart, M. C., a member of the House Ways and Means Committee, at the time when that committee was considering extension of the Trade Agreements Act in the Eightieth Congress:

"Florida vegetable growers and shippers who have lost a major part of the domestic markets by being forced to compete directly with tomatoes and other fresh commodities produced in Mexico and Cuba with low paid labor."

The following statement was made by the manager of the Florida association before the House Ways and Means Committee early in 1949 when that committee was holding hearings on further extension of the Trade Agreements Act:

"This association further states that the duty rates on these products as fixed by trade agreements negotiated prior to the 1948 act are at levels that will compel the domestic producer to either cut wage rates or lose his markets, when the present price inflation and high consumption rate ends. The prevailing daily farm wage rates in Florida today are from $5 to $6, and piece rates range from $10 to $20 per day, by comparison with the wage rates from $1 to $3 per day in competing foreign areas."

The latter statement was made during the 1948–49 shipping season, the season in which Florida produced more tomatoes than ever before in her history with a dollar value of $27,221,000, almost $5,000,000 more than in any previous year.

Under the Tariff Act of 1930 the rate of duty on tomatoes imported from Mexico was fixed at 3 cents per pound. It will be noted from table No. 2 that Florida acreage and production and annual values increase progressively from the 1930–31 season to the season 1942–43. Under the trade agreement with Mexico, effective January 1943, the rate of duty on Mexican tomatoes was lowered to 1½ cents per pound. Contrary to the claim made by the manager of the Florida association, no domestic markets were lost to the Florida growers and shippers in the succeeding years because of the lower rate of duty or for any other reason. The shipments every season after 1942–43 were in larger volume than in 1942–43 when the lower rate became effective, except in the season of 1946–47 when their shipments were reduced because of unfavorable weather conditions. In the year following the reduction in the duty the f. o. b. packed value rose to $19,712,000, or approximately $8,000,000 more than the year previous.

Following is a summary made by Representative Doughton, chairman of the House Ways and Means Committee in the Eighty-first Congress, at the end of the hearings of that committee in early 1949 when it was considering extension of the Trade Agreement Act:

"In the course of these hearings it has been asserted that during certain periods very large percentages of the fresh tomatoes consumed in the United States have been imported. On that assertion has been based the implication that because

of tariff reductions under reciprocal trade agreements these imports have caused returns to the American tomato growers to be reduced; and that these losses have been due to competition with foreign growers whose advantage has been chiefly in the lower wages paid to their laborers. Regardless of whether the import statistics are accurate the facts do not bear out these implications.

"Fluctuations in domestic production, due largely to weather conditions, have been the major factor in determining the volume of imports. In other words, imports have filled that portion of the United States market not supplied by domestic production. When domestic production has increased, imports have declined as have the percentages of the total supply which they furnish. During the import season (December 1 to May 31) in recent years the total market supplies of fresh tomatoes—domestic production, plus imports, less exports—have tended to increase steadily.

"* * * Increased population, full employment, and sustained buying power in the United States may be expected to sustain consumption and prices of fresh tomatoes at high levels. Volume of imports will continue to be determined by these factors and by weather conditions affecting United States production."

Regarding increased per capita consumption in the United States there is quoted the following statement from a report titled, "The Fresh-Vegetable Industry of Mexico and the United States", published by the Office of Foreign Agricultural Relations of the United States Department of Agriculture, December 1947:

"After 1940, the United States per capita consumption of fresh truck crops moved upward from the 1936–40 average of 236 pounds until 1942 when the all-time high was recorded at 251 pounds."

"* * * per capita civilian consumption of tomatoes, based on total commercial production in the United States nearly doubled in the 25-year period, 1918–43."

In connection with the claim that low wage rates are paid by the Mexican tomato grower, note the comparison of the f. o. b. packed values of Florida tomatoes with those of Mexico. These figures indicate that the "advantage" is all on the side of the Florida producer. It is true that the individual farm worker in Mexico is paid a lower daily wage and piece work rate. However, the total cost of producing and delivering to a given United States market one lug box of Mexican tomatoes equals, or exceeds, the cost of producing and delivering a like amount of tomatoes in Florida. Regardless of whether the labor costs in Florida are more per lug box, the Mexican producer of tomatoes for export to the United States operates under a much greater handicap than does the Florida producer; in fact, it may be said, that the present rate of United States import duty is much higher than is justified. Irrespective of labor costs, and growing costs, and packing costs, there are three charges against the exporter of tomatoes from Mexico which the Florida producer does not have, and which places such a burden on the Mexican grower that the margin between profit and loss is becoming smaller and smaller each year. These charges are:

1. United States import duty of 1½ cents per pound, or about 52.5 cents per lug box weighing an average of 35 pounds.

Mexico export duty which was at the rate of approximately 45 cents (United States currency) per lug in the 1948–49 season. A refund of 15 cents per lug was made by the Mexican Government on these collected duties for a period of about 4½ months of the season, but the total duties paid on both sides of the border amounted to about 81 cents per lug after the reduction in Mexican duties.

In addition, there are charges in connection with crossing the international border which the grower must pay, amounting to about 15 cents per lug.

2. Much higher freight rates to the principal markets of the United States are paid by the Mexican grower, or deducted from the f. o. b. price where the freight is paid by the buyer-consignee.

3. Losses caused by the long distance the tomatoes must travel from point of origin to destination, and from the length of time it takes to transport the produce to destination. It requires, for example, 10 to 12 days to transport tomatoes from the point of origin on the west coast of Mexico to Chicago, or from 13 to 15 days from Mexico to New York. Much bruising is inflicted on the tomatoes during the long distance, and the tomatoes ripen, or decay in amounts which cause the Mexican tomatoes to be sold at a lower price in the Midwest and eastern markets. Tables No. 3 and No. 4 below show the shipments of tomatoes in carlots in the spring of 1948, and the prices paid for tomatoes at that time in New York City.

TABLE NO. 3.—*Weekly carlot shipments of tomatoes, 1948*

Week ended—	Cuba	Mexico	Total, United States	Florida, east coast	Florida, other	Total, Florida	Texas
Mar. 6	115	437	36	36		36	
Mar. 13	85	387	49	49		49	
Mar. 20	60	456	87	87		87	
Mar. 27	58	485	83	83		83	
Apr. 3	22	402	58	57	1	58	
Apr. 10	13	717	36	33	3	36	
Apr. 17	9	577	80	57	23	80	
Apr. 24	5	645	224	140	80	220	
May 1	1	350	498	285	208	493	4
May 8		178	701	325	347	672	27
May 15		112	701	171	322	493	199
May 22		41	1,209	80	203	283	917
May 29		2	959	24	69	93	857

Source: The Produce Barometer, Mar. 2, 1949.

TABLE NO. 4.—*Prices of tomatoes at New York, 1948*

[For lugs 6 by 6 and larger]

Week ended—	Cuba	Mexico	Florida
Mar. 6	$7.00	$5.50	$6.30
Mar. 13	7.25	4.25	
Mar. 20	6.65	6.00	7.05
Mar. 27	7.40	5.20	7.05
Apr. 3	6.75	6.50	7.10
Apr. 10	7.80	6.00	8.75
Apr. 17	8.10	7.20	9.40
Apr. 24	5.40	5.50	8.95
May 1	4.25	4.95	7.05
May 8		4.50	6.15
May 15		3.25	6.00

Source: The Produce Barometer, Mar. 2, 1949.

The prices in table No. 4 clearly reflect the handicap of the Mexican producer caused by the long distance the tomatoes must travel to market with attendant bruising and ripening en route. Likewise, it shows the great advantage the Florida producer has in this respect, in addition to the advantages of not having to pay duties and high freight rates.

Table No. 2 shows that the average f. o. b. price per bushel for Florida tomatoes in the 1948–49 season was $5.25 This compares with the average 1948–49 f. o. b. price per bushel of Mexican-grown tomatoes imported into the United States of $3.17. The figures from which the average Mexican price was derived were furnished by the Confederacion de Asociaciones Agricolas del Estado de Sinaloa (Confederation of Farmers' Associations of the State of Sinaloa).

Historically, Mexico has been very important to the United States. Mexico has always been one of the five leading customers for our exports and it has also been as important as a source of materials imported into the United States. According to official Mexican Government figures, the United States provided 1,058,000,000 pesos worth of Mexico's total of 1,204,000,000 pesos worth of purchases outside the country during the first 4 months of 1949, or approximately 85 percent.

Considering the favorable trade relations between the United States and Mexico; that the United States has an especially good trade balance with the world in agricultural products, as well as for commodities of all kinds; that it is important to the United States that Mexico maintain and improve her economic position; and that Mexico ships annually to the United States in the winter months tomatoes and other fresh vegetables which are badly needed and which supply that portion of the United States market not supplied by domestic production and which apparently cannot be completely supplied by domestic production; it would seem to be good business for economic reasons and a good policy for political reasons to continue the importation of fresh winter vegetables from Mexico without adding restrictions whether in the form of increased import duties or quotas, especially when it is shown that the value of the domestic product has steadily increased for many years and the volume of the domestic production has not been decreased because of the imports.

STATEMENT OF THE NATIONAL COUNCIL OF JEWISH WOMEN IN SUPPORT OF EXTENSION OF THE RECIPROCAL TRADE AGREEMENTS ACT SUBMITTED TO SENATE FINANCE COMMITTEE, MARCH 9, 1951

The National Council of Jewish Women has supported the Trade Agreements Act since it was first passed by Congress in 1934. At its triennial convention, November 1949, the delegates, representing the 93,531 members of the National Council of Jewish Women, reaffirmed their support of a resolution on international trade which expresses their belief in the importance of international trade to the economic stability of the world:

"Whereas an expanding world trade is essential to maintain economic stability and raise living standards throughout the world, 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."

The Reciprocal Trade Agreements Act is scheduled to expire on June 12, 1951. It is urgent that it be extended beyond the termination date. This program has greatly benefited the economy of the United States and many other nations by expanding world trade beyond anything that could have been achieved unilaterally. The Trade Agreements Act has become a fundamental part of United States foreign policy which has as its goal the establishment of conditions throughout the world that will make for peace and security.

The House has voted to extend the Reciprocal Trade Act with four amendments which would cripple it. There is no necessity for these amendments. The escape clause presently in the act, by giving the United States freedom to withdraw or modify a concession if the resulting increased imports have caused or threaten serious injury to a domestic industry, makes the "peril point" and "escape clause" amendments totally unnecessary protective devices.

If these amendments were simply unnecessary they would be harmless, but they are much more than that. These amendments would destroy the flexibility which is so essential to productive negotiations. By setting minimum tariff rates under the "peril point" amendment and by requiring publication of the "peril point" minimum found by the Tariff Commission under the "escape clause" amendment, the United States negotiators are placed in the impossible bargaining position of having their rock-bottom figure an open secret.

In addition to this inflexibility, these amendments disregard the interests of the industry as a whole and the national economic welfare, and instead make protection of the marginal producer the standard. In this way a failure in an industry, from whatever cause, can result in higher tariffs and quotas with disastrous results to the free flow of world trade and the world-wide high standard of living which the United States is attempting to establish.

Like the other two amendments, the agricultural amendment is both unnecessary and harmful. It is unnecessary because the Agricultural Adjustment Act provides the necessary protection for agriculture against harmful concessions. It is harmful because it will cause other countries to impose quotas and high tariffs against United States products in retaliation.

The proposed anti-Communist amendment will give the Soviet Union good fuel for anti-United States propaganda without effecting anything for the United States. The iron-curtain countries with which the United States has trade treaties have lived up to their obligations. There may be valid political reasons for the United States to stop trading with their on-curtain countries, but if we take this step it should be done on a frankly political basis, not hidden behind an economic screen.

What has happened to the world in the last 30 years has proved beyond doubt that no country, no matter how powerful, can isolate itself from the world. The foreign policy of the United States, economically and politically, is based on this conviction. The Reciprocal Trade Agreements Act is an important part of this total policy which aims at cooperating with all nations for the good of all. Just because of its prosperity and high standard of living, the United States has more to lose than any other nation by a failure of this cooperation. The National Council of Jewish Women urges this committee to recommend to the full Senate the extension for 3 years of the Reciprocal Trade Agreements Act without any amendments, in order to strengthen the efforts of the United States to establish peace and prosperity.

Brief on the Extension of the Reciprocal Trade Agreements Act by Wine Institute, San Francisco 3, Calif.

This brief is submitted by Wine Institute, 717 Market Street, San Francisco, Calif., a trade association representing the wine producers of California, on behalf of its members and also on behalf of the wine producers and distributors in other States, and it is requested that it be incorporated into the record of the hearings held before the Senate Finance Committee on the Trade Agreements Extension Act of 1951 (H. R. 1612).

We feel that any extension of the Trade Agreements Act should incorporate adequate safeguards to assure that in all future negotiations, the injurious effect of proposed concessions on American producers will be carefully and thoroughly considered.

In view of the fact that the tariff protection afforded by the Congress to our products in the Tariff Act of 1930 has already been largely dissipated by tariff concessions (under the reciprocal trade agreements program), devaluation of foreign currencies and our rising costs of production it is necessary that the "escape clause" as it relates to existing trade agreements, be made an effective remedy from imports of like or directly competitive products, when such imports cause or threaten serious injury to our producers.

As far as our industry is concerned, we have seen very few actual results which could be called reciprocal in the administration of the trade-agreements program. The export markets which we have historically supplied have been gradually and effectively closed by exchange restrictions, import licenses and quotas and barter arrangements.

On the other hand, the duties on several of our items have been reduced the maximum amount permitted by statute and the remaining important products are now the subject of negotiation at Torquay. In addition, the devaluation of currencies of the wine-exporting countries of France, Italy, Spain, Portugal, etc., in recent years, coupled with the establishment of foreign trade zones and the use of Marshall plan counterpart funds to improve the quality of exportable French wines, have enabled importers to obtain foreign wines at prices below the cost of production of comparable American wines.

The following table shows the principal cost advantage of foreign wine producers:

	Vineyard wages			Winery wages per hour
	Per hour	Per 8–9 hour day		
California [1]	$1	$8 to $9		$1.32
	Men	Men	Women	
France: [2]				
Pruners	$0.27	$2.16		
Common labor	.23	$1.84 up to $2.50 at harvest.		
Spain [2]		$0.72 to $1 with increases at harvest.	$0.40	
Portugal [2]		$0.80–$1 with increase to $2 at harvest.	$0.40 to $0.50	
Northern Italy [2]		$1.58–$1.76 plus 1 quart wine.		
Central and Southern Italy, including Sicily.[2]		$1.12–$1.26 plus 1 quart wine.		25–30 percent less than men.

[1] From May 1950 survey of California labor costs for growing premium varietal-designated grapes.

[2] From unpublished manuscript by Dr. R. L. Adams, professor of farm management and agricultural economist, College of Agriculture, University of California, of data gathered personally during sabbatical leave tour of Europe, 1949.

Mr. Herman Wente of Wente Bros., California, one of the leading producers of quality table wines states that he "obtained data on French wages directly from French producers during a tour of the principal wine-growing areas of France during the summer of 1949 * * * [and that] French producers were paying $2 per day for very efficient vineyard labor, well trained in their work from generation to generation. At the same time we were paying in California $8.10 per day for labor performing the exact vineyard operations * * *."

While United States grape growers are faced with a recurrent annual surplus problem, which has kept the price of grapes for crushing during the past 4 years at an annual average for this period of about 70 percent of probable parity, the drastic value reductions on imported wines (due to the reasons we have already stated) have enabled them to move into the American market in increasing volume at market-depressing prices.

We therefore wish to evidence our support of the principles set forth in the peril-point and the escape-clause amendments to H. R. 1612 as passed by the House.

We feel that H. R. 1612 as passed by the House is definitely a step forward in preventing further injury to American producers and in affording some measure of relief to producers who have been injured or who are threatened with serious injury.

Respectfully submitted.

WINE INSTITUTE,
By EDWARD W. WOOTTON,
Washington, D. C.

BRIEF OF INTERNATIONAL HANDBAG, LUGGAGE, BELT, AND NOVELTY WORKERS UNION (AFL)

This statement is submitted on behalf of the International Handbag, Luggage, Belt, and Novelty Workers Union (AFL) in opposition to any further extension of trade agreements on the importations of foreign-made products made from leather. It is submitted that further concessions of tariff reductions, in the light of present industrial conditions in the manufacture of domestic leather products, will mean the elimination from the American industrial scene of the manufacture of products such as ladies' handbags, luggage, personal leather goods, and a wide variety of items made of leather with the concomitant unemployment of tens of thousands of workers in the leather industry.

BACKGROUND AND PURPOSES OF THE INTERNATIONAL HANDBAG, LUGGAGE, BELT, AND NOVELTY WORKERS UNION (AFL)

The International Handbag, Luggage, Belt, and Novelty Workers Union (hereinafter referred to as the union) is an international union chartered by and affiliated with the American Federation of Labor. It is a parent organization being self-autonomous and having its own constitution and bylaws. The jurisdiction of the union, from a strictly labor perspective, extends to and includes the entire industry of leather goods and items. The members of the union are employed throughout the leather industry and engaged in the various processes of the manufacture of leather products. There are numerous local unions throughout the United States affiliated with the union. A great number of these locals are located in small communities where the major source of a livelihood of its member and upon which the community depends to a large extent for its economic esistence, is the manufacture of leather items.

The main and basic purposes of the union are to secure for its members adequate standards of living and decent working conditions. To effectuate these purposes the union has and is engaged in the attainment of legitimate labor objectives. It conducts organizational campaigns among the unorganized workers. It acts as the collective bargaining representative of its members. It negotiates and concludes collective bargaining agreements with employers and employers' associations throughout the industry for the benefit of its members. It is at present in contractual relationship with employers throughout the leather industry.

Contractual relationships with employers are consummated in each instance by means of collective bargaining contracts. These contracts are made with a view toward securing the maximum benefits for the union's members and to promote the stabilization of industrial relations and conditions throughout the leather industry. The primary objective of the union has always been the protection of its members and the promotion of harmonious relations within the leather industry. The collective bargaining contracts include provisions defining and fixing the number of working hours per week, overtime compensation, paid holidays, minimum hourly wage rates, vacations, and other vital benefits such as a health and welfare fund to which the employer alone makes contribution. Union recognition in this industry and the achievement of the foregoing gains and benefits were achieved by the union only after many difficult years of toil and effort.

Some of the benefits at present enjoyed by a great number of the members of the union include the following: Accident and health weekly benefit, life insurance, accidental death and dismemberment, daily hospital expense, miscellaneous hospital charges and surgical expense.

The foregoing benefits constitute the gains achieved due to large and significant degree of stabilization within the leather industry consistent with a minimum of interference posed by the competition of foreign imports which now threaten to destroy these hard-fought gains.

THE UNION AND CONDITIONS IN THE LEATHER GOODS INDUSTRY UNEMPLOYMENT

The union represented between 35,000 and 40,000 workers, but due to the conditions which developed during the last 2 years, there are only 25,000 members, many of whom do not work full time. The majority of the members are engaged in the production and manufacture of handbags, luggage, and personal leather-goods items. Most of these workers have worked in their respective crafts for many years and as a result of years of experience have endowed these industries with a high degree of expert and proficient craftsmanship.

This proficiency has resulted in the production of products which measure up to the usual high standards of American and domestically made manufactures. The union has always instilled in its members the responsibility of high craftsmanship which can compare more than favorably with foreign-made goods. That these workers should now be jeopardized by the threat of an unfair type of foreign competition which will not only destroy the traditional American incentive to produce articles of craftsmanship, but gain the enmity of these same workers toward the policy makers of their government, is an abysmal commentary.

The great majority of the members of the union are employed in the handbag [1] and luggage and personal leather-goods [2] industries and both industries are the only source of a livelihood for these workers.

There are approximately 734 manufacturers of handbags in the handbag industry accounting for approximately 90 to 95 percent of the total production of handbags in the United States,[3] and approximately 750 manufacturers of luggage and personal leather goods accounting for approximately 95 percent of the total production of luggage and leather items in the United States.[4] Both industries are approximately 90 percent unionized and harmonious relations exist between the union and the handbag and luggage industries.

With the advent of World War II the earnings of the members of the union were affected by the Wage Stabilization Act. As a result wages were frozen. At the same time, a wartime excise tax of 20 percent was imposed on our products. This tax has had a continuing harmful and hampering effect causing unemployment [5] and a mortality rate among the manufacturers in the leather-goods industries.[6] Any prolonged continuation of the foregoing conditions can only mean more unemployment and a higher business mortality. Therefore, any unwarranted concessions given to foreign producers can only serve to aggravate a situation which is already critical.

Despite the foregoing conditions there is now evidence, which appears conclusive, that foreign producers were induced by lowered tariff rates to enter the domestic market on a much larger scale than formerly. During the period from 1938 to 1948 the cut in tariffs on imports of products made of various types of leather ranged from 45 percent to 50 percent of the original tariffs imported.[7] Both the handbag and luggage industries are now being seriously injured by increased imports. An increasing portion of the domestic market has already been taken over. The imports increased rapidly after the duty rate was lowered and this was undoubtedly the main factor in the injury now taking place.[8] The effect of this disastrous, discouraging and unfair competition is directly traceable to foreign source merchandise and is felt geographicallythroughout the industry of eather made products resulting in unemployment and loss of membership to our union. A report of a survey conducted by various locals of our union in conjunc-

[1] The Census of Manufacturers, 1947, shows there were 734 manufacturers of handbags who employed 20,301 workers, earning $45,409,000 as salaries and wages in 1947.

[2] Statistics and facts presented by the Luggage & Leather Goods Manufacturers of America, Inc., shows that the luggage industry employs approximately 20,000 persons.

[3] The Census of Manufacturers, 1947.

[4] Statistics and facts presented by the Luggage & Leather Goods Manufacturers of America, Inc.

[5] New York State Department of Commerce estimates that 55 percent of the leather and luggage workers are idle.

[6] Statistics and facts presented by the Luggage & Leather Goods Manufacturers of America, Inc.

[7] Tariff Act of 1930; trade agreement with the United Kingdom, effective January 1939; trade agreement with Argentina, effective November 1941; Geneva, 1948.

[8] Statistics and facts presented by the Luggage & Leather Goods Manufacturers of America, Inc.

tion with employers of both industries throughout the geographical sections of the country demonstrates beyond rebuttal the effect of imports upon unemployment and loss of membership to our union for the years 1948, 1949, and 1950:

SURVEY—LOSS OF MEMBERSHIP IN THE FOLLOWING LOCALS AND REGIONS DUE TO IMPORTATION OF LUGGAGE AND EXCISE TAXES AFFECTING LUGGAGE, BETTER LINE OF POCKETBOOKS AND PERSONAL LEATHER GOODS [9]

The loss of membership is based on a check-up of the years of 1948, 1949, and 1950.

Local No. 31, San Francisco, Calif.: Loss of membership 20 percent. This local has under its jurisdiction luggage, pocketbook, saddle and harness, and novelty shops. Membership at the present time in the shops is working part time and some shops are shut down completely.

Local No. 53, Oshkosh, Wis.: Loss of membership, 30 percent. Making better line of luggage. Vacations due to approximately 80 workers who were laid off the early part of 1949 and were never called back.

Local No. 60, New York, N. Y.: Loss of membership, 33⅓ percent. Industry has been working on part-time basis for past year. Some shops are out of business.

Local No. 61, Philadelphia, Pa.: Loss of membership, 33⅓ percent.

Local No. 62, Newark, N. J.: Loss of membership, 33⅓ percent. Same conditions as Local No. 60.

Local No. 46, Springfield, Mass.: Loss in year 1949–50, 10 percent. Those still employed working only on part-time basis.

Local No. 45, Philadelphia, Pa.: Loss of membership, 20 percent. All workers on irregular part time.

Local No. 107, Mount Morris, N. Y. Members work on belts and personal leat hergoods. This factory is shut down completely for indefinite period.

Local No. 45, Philadelphia, Pa.: Many members work on better line of pocketbooks. Now operating at 20 percent less than 1948–49, and those working are on part time.

Local No. 3, Chicago, Ill.: Loss of membership, 50 percent. A key, well-established and important factory, shut down completely.

Local No. 23, Scranton, Pa.: Loss of membership, 20 percent. Members working on part time.

Local No. 77, West New York, N. J.: Loss of membership, 30 percent. Members working part time.

Conclusion.—Loss of membership in the luggage locals, pocketbook locals and novelty and belts locals for the years 1948–50 will be on an average of 33 to 40 percent. The foregoing are inidicative of the conditions extant throughout the country and in all our locals.

The United States Department of Labor, Wage and Hour and Public Contracts Division has only recently taken cognizance of the terrible situation with respect to unemployment in this industry by refusing to grant subminima learner's permits. The said Department made its ruling specifically on the ground that unemployment in this industry makes ample skilled help available. [10]

The importers and foreign manufacturers have studied our American merchandising methods and our distribution methods (at the suggestion of and with the aid of our own governmental agencies) and have publicly announced their plans to compete with us in their own and our American trade journals and in their advertising and news releases to prospective consumers here in America. They have sales organizations today in our country which cover our entire market and are reaching for every dollar they can secure from the American consumer. In addition to tariff concessions given by the United States, currency devaluations in the countries of our foreign competitors has already added directly to the tariff cuts this industry has suffered and has assisted immeasureably (in the form of a subsidy) the foreign exporters of leather products. Further currency devaluation, which is predicted, will only tend to aggravate the tariff rates already cut, without granting any further concessions this year.

COSTS AND WAGES (INDUSTRIAL COMPARISON)

American leather items such as luggage and handbags are the products of a combined handicrafts and factory industry, which operates at a higher unit cost

[9] The names of the firms involved are being withheld at their request for understandable reasons.
[10] Ruling dated May 25, 1950.

of production than is necessary abroad, because of our higher wages, overhead, and social benefits for the workers. American factory standards in our industries cannot be compared with foreign "factories," which are, in most cases, merely raw-material depots and collection and distribution points for home work. Likewise, and because of our higher costs, caused by the differential in labor rates and factory overhead in this country, as compared with the lower labor rates and factory overhead in foreign countries, the American handbag, luggage, and personal leather-goods industries are primarily prevented from exporting to foreign countries. Moreover, under customs regulations in most foreign countries various items of leather manufacture are barred from importation being classified as luxury items. These are the same countries which are interested in gaining a market here and asking for broad tariff concessions, while refusing us a market in their own countries. Consequently, the exports of American-made leather items have amounted to a negligible amount of production. Labor and overhead costs, then, play a very important and vital part in the competitive picture. As an illustration of what it costs domestically to produce certain leather-made items as compared to the imported cost of the same items from the United Kingdom, the following table of comparison presented by one of the larger manufacturers and importers of leather-made products is most enlightening:

	Cost of item imported	Cost of our manufacturing	Our proportionate labor cost	Our selling price
Stirrup leathers:			*Percent*	
1-inch	[1] 2 86	[1] 3.78	39	6.00
1⅛-inch	3 09	4 29	35	6.60
1¼-inch	3.38	4.66	30	7.20
1⅜-inch	3.66	5.76	24	8.10
Straps ½-inch for 228 race bridles	[2] 4.22	[2] 8.95	75	7.20
Bridle reins:				
⅝-inch	[1] 1.62	[1] 2.81	61	4.80
¾-inch	1 76	3.09	58	5.10
½-inch	1.56	2 18	65	2.10
⅝-inch	1.70	2.60	65	2.40
Caveson:				
1¼-inch	[3] 1.54	[3] 3.14	64	4.20
1½-inch	1 62	3.36	61	4.80
Weymouth show bridles:				
⅜ by ½-inch	5.67	10.56	76	10.80
½ by ⅝-inch	5.45	13 30	73	11.10
Snaffle bridle:				
⅞ by 1-inch	5 75	10 58	59	9.00
⅞ by 1-inch	8 10	13 89	.67	13.20
Ring martingale	2.48	5 91	61	5.10
Do	1.89	4.74	62	4.50
Standing martingale	2 02	3.68	53	4.50
Do	1 41	2.30	61	2.25
Breast plate	3.65	7.70	63	9.00
Breast Girth	3.28	10.60	60	8.10

[1] Pair
[2] Dozen.
[3] Each.

The differences in costs of American-made products (including labor costs) range from 33⅓ to 100 percent and more than the foreign-made products. It is obvious, too, from these comparisons that the American manufacturer, on a cost unit basis, cannot possibly compete producing the same type of products for the American consumer under conditions that penalize the American manufacturer by reason of further tariff concessions thereby increasing the difference between the cost of production here and abroad. It so happens that the Union is now in negotiations with this firm on a renewal collective bargaining agreement and the foreign competition under present tariff rates presents a serious handicap because of decreased business.

The low wages paid in England, France, Italy, Germany, Argentina, and Cuba (the principal exporters of handbags and luggage) gives these countries a great price advantage in the domestic market. This advantage is not based on greater efficiency of the foreign producers; nor is it based upon greater skill of the foreign workman. While, however, our industries and our workmen can more than match their skill, we cannot match their prices without sacrificing something that the members of our Union have always striven for and always strove to maintain, namely, an American standard of living that makes this country stand out alone over the rest of the world.

This high standard of living makes us vulnerable to the onslaught of low-wage producers abroad. This is to say the members of our Union cannot hope to compete on a wholly unequal wage basis. The only possible result to the members of our Union by being forced to meet this competition is unemployment, joblessness, poor working conditions, a loss of all hard fought labor gains over many, many years and a gradual decline to the economic level of foreign competitors.

Comparative wage rates paid to the workers in the handbag and luggage industries in the United States and the principal exporting nations of the same industries, as set forth in the briefs submitted by the National Authority for the Ladies' Handbag Industry and by the Luggage & Leather Goods Manufacturers of America, Inc., do not include any extras in the average earnings of the American worker such as overtime compensation, paid vacations, social security, insurance contributions, pensions and other benefits. If such benefits were included then it would obviously follow that the real average earnings of the American worker would be even higher. The average hourly wage rates of the foreign workers range from 33⅓ to 66⅔ percent below that of the American worker. We are comparing these foreign competitive hourly rates to the hourly rates currently paid in both industries of this country in support of our American way of life.

The amazingly low wages paid in these countries show the difficulties which our Union and manufacturers of the leather industries in the United States have to overcome in order to maintain a fair share of our domestic market. When it is realized that approximately 25 to 35 percent of the cost of our finished products is labor, it can be readily seen that with wages in these foreign countries averaging from 33⅓ to 66⅔ percent less than our American wages there is little chance of meeting the low priced competition of these foreign countries based on these ridiculously low wage scales. This is conclusive evidence that these foreign nations need not be favored any more by our Government cutting tariffs for they already have such an immeasurable advantage in their very, very low labor costs. In fact, their costs indicate they can well afford to be faced with duties entirely sufficient to give our industries a fair break, and still have us at a great handicap.

Moreover, it is submitted, that if imports of leather items from these foreign countries are increased; if retail sales in our own market of our products are more and more of foreign origin and less of domestic origin, then the imports are and will further be responsible for the injurious reduction in the production of our industries. The connection is obvious, the result inescapable. The case is one in which unemployment, dwindling sales, curtailment of output, critical injury to the members of our union by loss of dollar income coincide closely with increased imports resulting in definite and irreparable injury.

SUGGESTIONS

Instead of the ruinous policy inherent in continued tariff reductions it would be far better for those foreign countries to build up markets in underdeveloped areas. Africa and the Orient, for example, offer tremendous opportunities for England, France, and Italy, if they would only pay some attention to the need for increasing the purchasing power of those substandard areas. Such a policy would open up additional markets for products where people do not have the facilities to produce them. In turn, it would help raise the wage rates and living standard of European workers in these industries.

CONCLUSION

(A) Effect of tariff reductions

1. To encourage the sale of imports in this country by continued reduction of tariffs on our products gives support to maintaining low wage scales in competing foreign countries and will eventually lead to tearing down the wage scales in this country and bankruptcy of our industries which must compete with ruinous prices.

2. By such action, encouragement is also lent to such American manufacturers who resist the requirements of the members of our union to meet the high cost of living, such as increased wages, pensions, paid holidays and vacations, sick benefits, insurance and other like benefits.

3. Such action would mean an utter disregard of the time, struggles, and heartaches of the members of our union and the union itself which has fought valiantly to raise the standard of living of its members and to maintain that standard commensurate with the cost of living.

4. Such action would mean that the two-thirds of our members who are still employed—most at only part time—would face further unemployment.

5. Such action would mean the uprooting of the members of our union who have acquired a particular skill in either industry and compel our members and their families to leave their communities where they have resided and earned a livelihood for decades. Needless to say, those of our members who know no other skill could not easily—if at all—acquire a different skill. This uprooting would cause an exodus comparable to a migration from one industry to another causing chaos in our industrial and economic structure. In this connection it is significant to note that we have all condemned Russia for uprooting humanity by transfers of large groups of people to other areas of employment. Yet our workers may be compelled to leave their communities, take their children out of schools and move into communities contrary to their wishes and where they undoubtedly will not be wanted. Many of our members are already facing this dire threat of being conditioned for totalitarian remedies.

In view of all of the foregoing the International Handbag, Luggage, Belt and Novelty Workers Union (AFL) respectfully submits that continued tariff reductions upon imports of leather items and products are unwarranted, unjustifiable and devoid of any logical or reasonable basis.

Respectfully submitted.

JACK WIESELBERG,
International President,
NORMAN ZUKOWSKY,
General Secretary-Treasurer,
International Handbag, Luggage, Belt and Novelty Workers Union, AFL.

On the brief:
MAX H. FRANKLE.
PHILIP J. RUFFO.

STATEMENT OF HARRY B. HILTS, SECRETARY, EMPIRE STATE PETROLEUM ASSOCIATION, INC., AND ATLANTIC COAST OIL CONFERENCE, INC., NEW YORK, N. Y.

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 membership of both organizations includes small-business men who are engaged in the distribution and marketing, to domestic and industrial consumers of gasoline, of 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 want to go on record as opposing, in the present version of the Trade Agreements Act of 1951, the escape clause in its entirety and certain provisions of the peril point clause because we firmly believe that they would impose severe restrictions on the importation of vitally needed petroleum. These restrictions would seriously affect the amount of petroleum available to the military services and our civilian consumers.

We would like to point out that our primary concern in appearing before this committee is to protect the interests of the consumer. As a representative of the marketing segment of the petroleum industry, we are closer to the consumer than is any other part of the industry. In the constant competitive race for the consumer's acceptance of our industry's products, we must be highly conscious of his needs and buying habits, and of his ability to purchase our products. Moreover, we must at all times be certain of our ability to maintain an uninterrupted supply of the products he uses, since we, along with the manufacturers of oil-consuming devices, are responsible for creating the consumer demand for the industry's products.

The normal movement of crude and residual oil from foreign sources since 1919 has constituted a large portion of the supply for the heavy demand area of the east coast. Oil from foreign sources has contributed greatly to the industrial growth of this area by furnishing an increasingly significant part of our ever-expanding demand for petroleum and its products.

The small-business segment of the petroleum industry and the consumers in the heavy demand area of the east coast have been forced to depend on this movement and consider it an essential part of their supply.

We, as distributors of petroleum products, have no preference as to where our supply originates. The fact remains, however, that we are dependent upon these foreign sources of supply and, since 1919, as stated above, we have required in-

creasing amounts of foreign oil to supplement our domestic production to meet the total consumer demand.

Clearly, any disruption in the normal movement of supply would seriously hamper our industry, and our civilian economy, and in turn retard our national defense effort.

For these reasons we are unalterably opposed to any measure which could lead to the necessity of imposing allocations and quotas for our dealers and distributors. We want at all times to be able to obtain enough oil products to satisfy the demands of our customers. We feel sure, however, that the restriction on petroleum imports, implicit in the mandatory features of the escape and peril-point clauses of the present version of the act, would prevent our being able to satisfy fully these consumer needs.

In this connection, we would like to call the committee's attention to the final report of the Select Committee on Small Business, House of Representatives, Eighty-first Congress, in which Representative Wright Patman, chairman, said: "We are fortunate that too hasty restrictions on imports have not precluded their availability."

This statement by the Representative of Texas was made after the Select Committee had completed an 18-month study of the question of petroleum imports and had held hearings in all parts of the country.

We feel that the statement by Representative Patman further supports our contention that mandatory action would not be in the public interest.

Section 3 (a), line 16 and line 19.

Section 3, which provides for peril point findings, has certain features which could easily be made less objectionable from an economic and administrative standpoint. We refer specifically to line 16 of this section and to the words "producing like or directly competitive articles." We believe that the words "directly competitive" impinge somewhat on the freedom of choice of consumers and could severely restrict their buying habits.

For instance, let us say that we have a surplus of apples and, at the same time, we are importing an increased quantity of oranges. Under the wording of this section, oranges could be considered a directly competitive product for the consumer's dollar, and the apple grower could blame his surplus on the importation of oranges.

Let's take coal as a further example. Producers of coal allege that the importation of residual fuel oil seriously affects production and sales of coal because they say residual fuel oil is a direct competitor of coal. This is not so except in installations which have stand-by facilities that could use either coal or oil. To my knowledge, outside of some of the utilities and large industrial installations along the Atlantic seaboard, those having stand-by facilities are exceptional and very few in number.

It follows that once a consumer has installed oil burning facilities he ceases to be a customer of the coal business. This applies in all but the very few special situations mentioned above, and it is therefore erroneous to say that in this instance oil is in competition with coal.

No matter how free the supply of coal may become or what its price may be, the consumer could not use coal without reconstructing his facilities at considerable expense. It would indeed be unfair to allow the coal industry to apply for peril-point findings when its injury is only one of allegation.

We therefore feel it is highly desirable that the words "like or similarly competitive articles" be substituted for the words "like or directly competitive products."

Section 4

We object to this section for the following reasons:

The Tariff Commission performs a highly responsible service to the entire economy insofar as imports are concerned. Its record in the past has been of an exemplary nature. In our opinion, in spite of charges by selfish interests, the Tariff Commission has been the least controversial of the agencies.

It is administratively unsound to reduce the Tariff Commission to the status of an investigating body and to deny to other agencies of the Trade Agreements Committee the benefit of its broad understanding and knowledge of the tariff problem in making decisions and in determining the explicit nature of trade agreements.

Therefore we feel it important that the Tariff Commission be able to take part fully in trade agreement work.

Section 7

This section, which provides for an escape clause and establishes criteria for its application, is open to a number of important objections and should be considerably amended if it is to be made workable. In its present form it would open the door wide to abuses of the escape clause. If the amendment is passed and if similar criteria are adopted by other countries in applying the escape clause we may well stand to lose much more than we can possibly gain.

It is to be further noted that the language of section 7 (a) does not require inclusion of an escape clause in trade agreements hereafter entered into, but instead attempts to impose on existing trade agreements escape-clause provisions. We wonder what would happen if the President sought to impose the authority granted in section 7 (a) on a trade agreement which does not contain an escape clause. It is quite possible that the United States might find itself in a court of international law answering in damages for breach of contract. It must be remembered that the United States is now a party to a few trade agreements which do not contain either the standard escape clause provisions or provisions comparable to those in section 7 (a). Some of these countries supply the United States with raw materials and products vital to military security. If we attempt, without agreement, to impose such provisions on these agreements, it is not a remote possibility that one or more of these nations might decide to terminate their trade agreements with us, and direct these vital materials and products to other channels which might not be in the best interests of the United States. It is our belief that we should think twice before we insult these nations by attempting to rewrite their trade agreements without their consent.

Under section 7 (b), beginning with line 14 to 15, the words "increased quantity or under such conditions" should be reworded substituting "and" for "or." The amendment would thus read "increased quantity and under such conditions."

If this change is not made it would be possible for an industry to claim injury even though imports were declining. We do not believe this is in keeping with the basic principles of the Reciprocal Trade Agreements Act or even in line with the purposes of an escape clause.

It is also extremely important, we feel, to omit the words "or a segment of such industry" since under this wording a marginal producer in any industry could claim injury and force the withdrawal of a concession which did not, in fact, harm other segments of the industry. Under a situation of this kind, where products were in short supply, a marginal, high cost producer, could establish an unreasonably high price for a commodity, even though other efficient units of the industry could operate at a profit in spite of import concessions.

Taken in conjunction with the criteria proposed in section 7 (c) these words provide an open invitation to the inefficient producers to blame everything on the tariff, no matter what the reasons for their inability to meet competition. As indicated above, there need not be any increased imports, under the amendment as presently worded, for them to claim injury. Therefore, we strongly urge the deletion of these words from the amendment.

Section 7 (c) provides for peril-point findings if escape-clause action is not taken. We refer particularly to the last sentence in first paragraph in section 7 (c): "This finding shall set forth the level of duty below which, in the Commission's judgment, serious injury would occur or threaten."

In our opinion such a finding is entirely unnecessary if the peril-point amendment is accepted. Moreover we do not believe that any unnecessary measure should be incorporated in the amendment that would make it more difficult to operate.

Furthermore everything should be excluded that would in any way hamper this country or show our hand in trade agreement negotiations that may be carried on in the future.

The final paragraph of section 7 (c), which establishes the criteria applied by the Tariff Commission in making an escape clause finding, is objectionable and should be eliminated in its entirety.

Under the present wording, almost anything that happens in an industry could be used as the basis for an escape clause action. For example, any "downward trend of production, employment or wages," attributable in any way to import competition, would be evidence of serious injury even if imports had declined much more than domestic employment or production.

Fluctuations and seasonal variations, which have nothing to do with the importation of a product, occur in almost any industry and, under this section, could be a basis for an escape clause action.

As was pointed out in the debate in the House of Representatives, under the amendment, the President would have been required to withdraw the small tariff concession on automobiles and parts because imports of automobiles increased from 2,000 in 1947 to 29,000 in 1948, and while domestic production increased from 3,500,000 to 3,900,000 automobiles, there was a decline of 40,000 in employment in the industry owing to a strike in the Chrysler plant.

We feel that we should not conclude this statement without referring to the amendment offered to the committee by the National Coal Association, through Mr. Robert Lee Hall. The amendment follows: "Amend H. R. 1612 by adding a provision thereto which would impose a quota restriction on the importation of residual fuel oil, limiting the permissible entry of residual fuel oil into the United States in any calendar quarter to 5 percent of the domestic demand for residual fuel in the corresponding quarter in the previous year."

Apparently Mr. Hall would not object to American production satisfying the total residual fuel oil demand. All he asks is that imports be limited to five percent of the demand in any quarter. On the surface it would appear to be a reasonable request—assuming first, that American production has been reduced by imports and that such a quota restriction would increase our domestic production of residual to a point high enough to satisfy the demand, or second, that even if American production cannot reach this point, the demand for fuel oil is so flexible that it can be redirected to accept a substitute product, namely coal.

However, both assumptions are patently false. We need say no more to disprove the first, concerning American production, than to refer back to our earlier statement concerning the normal movement of fuel oil imports.

The second assumption is actually the heart of the coal industry's argument. Why, they ask, should the coal industry suffer from foreign oil imports? If consumers cannot get enough residual fuel oil from American production, let them turn to coal. Or more accurately, restated along the lines of Mr. Hall's amendment, restrict the amount of oil available to consumers—since American production clearly cannot satisfy the total demand—and they will be forced to turn to coal. On the face of it, such an argument is specious, but to remove it once and for all from the arena of trade agreement discussion, let us examine some of the issues involved.

First, we ask, What would happen to the millions of dollars invested in residual fuel oil facilities which could no longer be used since the fuel oil to run them would not be available? According to the coal people, they would have to be junked. Let us, for the moment, by-pass that monstrous idea. Let us assume that such a gigantic economic waste did not matter.

What would be another result of such a quota restriction? For one thing, the cost of residual oil would skyrocket since competition for the product would increase tremendously. The effect on an already spiraling inflation would be disastrous.

Moreover, the United States would, in effect, be setting up a market-sharing device. It would arbitrarily be dividing the fuel market and allotting so much to oil and so much to coal. To see that all the demands were equitably satisfied, the Government would have to police the fuel market. In other words, the fuel industry would no longer be free to respond to the competitive forces governing the market. It would be Government controlled.

This is based on the assumption that coal can just as well be used in all cases instead of residual oil. Of course this too, is an absurdity, and involves further complications too obvious to require spelling out.

If Congress accepted Mr. Hall's proposed amendment, it would in effect, be destroying the fuel consumer's freedom of choice and range of competitive fuels. It would actually be legislating the abandonment of our competitive system and substituting end-use control insofar as the freedom of competitive fuels is concerned.

Certainly, Congress does not intend to force a shipowner or a mill owner, who cannot convert to the use of coal, no matter what the price may be, to suspend his operations.

Would Congress be willing to sacrifice all the efficiencies developed through the use of fuel oil? Will Congress penalize an industry which spends over $100,000,000 annually in research for its customers' benefit?

These are not the aims of the Reciprocal Trade Agreements Act, nor, we are sure, are they the objectives of the present committee. Moreover, we must not forget that the Hall amendment, and those in the present version of the act, hereinabove referred to, would not only penalize our own industries which are dependent

upon petroleum imports, but would also penalize those countries from whom we import petroleum and who depend on those imports to pay for the materials which we export to them. Let us not disturb a truly reciprocal and mutually beneficial relationship.

We have purposely refrained from filling the committee's records with statistical data on the petroleum industry. However, we would like to point out that on the whole, each year since 1943, when the Mexican Trade Agreement went into effect, we have reached record-breaking levels in drilling activity, production, refinery runs, employment and consumer demand. This statement can be fully substantiated by the Bureau of Mines petroleum statistical records and the statistical summary published monthly by the Independent Petroleum Association of America. Despite these records, it is necessary for the industry to supplement its productive capacity with importation of crude oil and products.

We believe that time has proved that the Reciprocal Trade Agreements Act is in the public interest and not in the interest of any particular group. We respectfully suggest that your committee give earnest consideration to the changes we have set forth in this statement and that it approve the extension of the Reciprocal Trade Agreements Act.

SAN FRANCISCO CHAMBER OF COMMERCE,
January 30, 1951.

To: Board of Directors.
From: World Trade Committee and World Trade Association.
Subject: Approval of extension of reciprocal trade agreements.

Requested action: That the board of directors approve the recommendation of the World Trade Committee and the World Trade Association of the San Francisco Chamber of Commerce to approve legislation to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended. This act extends the reciprocal trade agreements program for a further period of 3 years from June 12, 1951.

STATEMENT

On February 4, 1932, the San Francisco Chamber of Commerce enunciated a tariff policy calling for machinery for reciprocal concessions in tariff rates in the interest of the revival and upbuilding of our foreign commerce. In 1934 Congress provided the requested machinery in the form the Trade Agreements Act, which has been renewed from time to time with the endorsement of the San Francisco Chamber of Commerce.

The act's 1947 renewal carried with it grant of authority to our trade agreement negotiators to effect reductions in United States tariff rates up to 50 percent of the rates in effect on January 1, 1945.

We feel that the methods employed and the exercise of care shown in securing concessions from customer countries are good. We believe that the Trade Agreements Act provides the best technique yet devised for obtaining tariff adjustments and removal of trade barriers to the advantage of our domestic welfare and our expanding world commerce.

The inclusion of so-called "escape clause" provided for in Executive order issued February 25, 1947, by the President guarantees adequate protection to domestic industry against destructive competition from foreign goods, with the Tariff Commission given authority to administer this provision. Therefore there is no need for the current demand that the current law for renewal fix "peril points" in the adjustment of tariff rates.

California's agriculture, industry, and shipping and other elements of the economy have derived great benefits from the operation of the reciprocal trade agreements program. Important concessions in foreign tariff rates were gained on California fresh, canned and dried fruits and vegetables. These concessions were reflected in an increase in volume of shipments abroad prior to the outbreak of hostilities.

The reciprocal trade agreements have been an essential element of the foreign policy of the United States for the past 14 years. In fact, they have become the cornerstone of our foreign economic policy and are the core of our program for international cooperation for the expansion of world trade. World peace and prosperity are linked together and dependent upon the expansion of private international trade which the act promotes. To fail to renew it at this time

would be nothing short of disastrous since it has become a symbol of United States determination to lead in the cooperative effort to expand world trade. Withdrawal from such cooperative effort at this time would seriously threaten amity among the free nations of the world against the threat of Communist aggression.

The reciprocal-trade agreements implement the leadership of the United States in international economic cooperation for the restoration of a freer multilateral trade between all nations. National currency stability and convertibility are promoted. They are more important now than ever in contributing to a peaceful and prosperous world. Discontinuance would undermine world confidence in the sincerity and permanence of our international undertakings and leadership. Furthermore, the Trade Agreements Act provides us with other bargaining powers which 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. A number of such agreements have been concluded to implement the ECA program, and others to facilitate the point IV program for assistance to the underdeveloped areas of the world have been concluded and are in the process of negotiation.

The preservation of our private enterprise system, to which we owe our national prosperity, is closely tied up with reduction of trade restrictions and the encouragement and expansion of private international trade. The alternatives to meet state trading, collectivism, regimentation, and restrictionism by other countries would be a public trading monopoly in the United States, or aggressive promotion and expansion of private handling of world trade. Accomplishment of the latter must be championed at all times.

Main opposition to the trade-agreements program comes primarily from industries that have long enjoyed high tariff protection. In the interests of their own business they overlook the over-all importance of a sound economic and tariff policy for the expansion of two-way trade under the private-enterprise system. All complaints of harm, or fears of harm, by increased imports have received prompt investigation by the Tariff Commission. Organized labor, which once opposed the program, now supports it, stating that nearly three times as many workers were dependent on exports in 1947 as in 1939. At the current House committee meeting for renewal of the act, a spokesman for the CIO testified in favor of renewal, as did a representative of the American Farm Bureau Federation.

Respectfully submitted.

THOMAS G. FRANCK,
Chairman, World Trade Committee.
FRANK M JACOBS,
Acting President, World Trade Association.

JOHNSTON EXPORT PUBLISHING CO.,
New York, N. Y., March 6, 1951.

Hon. WALTER F. GEORGE,
Chairman of Senate Finance Committee,
The United States Senate, Washington, D. C.

MY DEAR SENATOR GEORGE: Many United States businessmen who are interested in our foreign trade have expressed concern over the amendments which have been added to H. R. 1612.

In our opinion, at the present time it is just as important to extend the framework in which free, private trade can operate as it is to furnish military leadership to the rest of the free world.

Free trade between countries is one of the best means for securing peace. Today, as never before, we are dependent on imports for our own defense program.

In turn, we must continue to supply those friendly nations who are supplying us with needed strategic imports. It should be done on the most favorable and best possible basis.

Therefore, I would like to urge that the committee report favorably on restoring the legislation to its original form without the amendments added by the House of Representatives.

With your kind permission, I would like to have this letter incorporated in the testimony now going on before the Senate Finance Committee.

Respectfully yours,

AMERICAN EXPORTER,
RICHARD G. LURIE, *Editor.*

NATIONAL COTTON COUNCIL OF AMERICA,
Memphis, Tenn., March 9, 1951.

Hon. WALTER F. GEORGE,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR GEORGE: As you know, the National Cotton Council has supported the reciprocal trade agreements principle from its inception as a means of building world trade on a sound, multilateral basis. Now, we think it is more necessary than ever to effect an exchange of goods and services among the free countries of the world on a basis that would increase the political solidarity of the non-Communist area and diminish the financial drain on the United States Treasury.

We believe the Reciprocal Trade Act should be extended without restrictions that would seriously impair its operation and certainly without amendments that would modify or cancel existing agreements. In view of the uncertainties and the changes taking place in the world economy, we think it would be wise to limit the extension to 2 years to permit an early review of the procedure. Conditions may be so different as to require a completely new approach to the problem.

We have considerable concern about the effect of some of the amendments in H. R. 1612 now pending before the Senate Finance Committee and hope that you and the other members of the committee will seek to protect the program against crippling provisions.

We are particularly concerned about section 8. While we believe very strongly that the United States agricultural as well as industrial interests should in all cases be adequately safeguarded, we think the protective action should be carefully considered so it will not produce reaction and repercussion abroad that will result in a net loss to the United States. Section 8 of the bill, if adopted, we fear would seriously react on American agriculture and result in the cancellation of existing concessions and possibly the establishment of higher barriers against our exports so that the United States might lose more than it gains. This seems very likely in view of the fact that our exports of price-supported agricultural commodities are roughly 4½ times our imports of those commodities. We feel that the protection to United States agriculture can be more adequately provided under section 22 of the Agricultural Adjustment Act of 1938 as amended than under the automatic provisions of section 8.

We are grateful for the leadership which you have always exercised in this field of foreign trade legislation and appreciate your usual fine cooperation. We respectfully request that you bring our views to the attention of your committee.

Sincerely yours,

HAROLD A. YOUNG, *President.*

THE BOARD OF SOCIAL MISSIONS OF THE
UNITED LUTHERAN CHURCH IN AMERICA, INC.,
New York, N. Y., March 9, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR GEORGE: In recent years the United Lutheran Church in America has adopted two resolutions which I believe bear on the Reciprocal Trade Agreements Act. Inasmuch as your committee is now considering House Resolution 1612, I am submitting these resolutions with the request that they be included in the proceedings.

In 1946 convention in Cleveland the following resolution was adopted:

"That as Christian citizens we encourage the development of international economic cooperation in order that economic tensions among nations may be relieved."

At the Philadelphia convention, October 1948, the following resolution was adopted:

"That the United Lutheran Church in America urge its people to support all proper means of furthering international trade upon which in part peace depends."

I am sure I speak the sentiment of the majority of the members of the United Lutheran Church when I state that we would be very happy to see the Reciprocal Trade Act extended.

Respectfully yours,

C. FRANKLIN KOCH,
Executive Secretary.

THE BOARD OF CHRISTIAN EDUCATION OF THE PRESBYTERIAN CHURCH IN THE UNITED STATES OF AMERICA,
Philadelphia, Pa., March 9, 1951.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR CHAIRMAN GEORGE: The action proposed in the crippling amendments now being considered by the Senate Finance Committee was clearly opposed in the pronouncements of the General Assembly of the Presbyterian Church—meeting in Seattle, Wash., June 1948—dealing with the question of reciprocal trade agreements, when it said.:

"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."

This statement was again affirmed in the plea of the one hundred and sixty-second general assembly—meeting in Cincinnati, Ohio, May 1950—that ways be found by which "channels of trade and communication can be opened and the movements of currency freed throughout the world."

We urge your committee to give careful attention to this concern of the general assembly.

Very truly yours,

PAUL NEWTON POLING,
Secretary, Division of Social Education and Action.

STATEMENT OF THE UMBRELLA FRAME AND UMBRELLA HARDWARE MANUFACTURING INDUSTRY

The umbrella frame and umbrella hardware manufacturing industry sought the opportunity of having one of its number testify orally before the Senate Finance Committee for the purpose of presenting to the committee the views of our industry on the proposed extension of the Trade Agreements Act of 1934. By reason of an overcrowded calendar and the limitations of time, the committee could not schedule the oral testimony of our witness. It was suggested that the industry present a statement in writing of its views to be included in the record of the hearing and to be considered by the committee with all the other evidence adduced.

The views submitted are the views of the entire industry consisting of the following companies:

S. W. Evans & Son	Philadelphia, Pa.
Fretz Gross & Co	Philadelphia, Pa.
Newark Rivet Works	Newark, N. J.
Arlington Frames, Inc	Newark, N. J.
Newark Umbrella Frame Co	Newark, N. J.
American Folding Umbrella Co	New York, N. Y.
Cross Umbrella Frame Co	New York, N. Y.
The Finkel Umbrella Frame Co., Inc	New York, N. Y.

The industry is generally classified as light-metal manufacturing industry. The product is the metal umbrella frame consisting of steel ribs affixed to a wooden shank or steel rod. These umbrella frames are distributed to the umbrella manufacturers who place a textile cover on the frame, affix a handle to the wooden shank or steel rod to produce the finished umbrella. The materials used are steel, steel tubing, brass, aluminum, and wood dowels.

Approximately 2,000 persons are directly employed by the industry. About 25 percent of these employees are skilled, 50 percent is semiskilled labor, and 25 percent is unskilled but trained labor. The industry is stable and employment is fairly permanent. It is estimated that the labor turn-over is less than 10 percent. Labor in this industry is mainly local. The plants are mostly in small communities or on borders of large cities and attract labor from the immediate vicinity.

In 1947, according to the statistics of the Bureau of the Census, 1,000,000 dozens of umbrella frames were produced and were valued at $5,876,000. Based on these figures the present output of all plants in the industry totals about 1,250,000 dozens per year and the value of the annual output is approximately $7,500,000 However, the productive capacity of the industry is much higher and is estimated to be approximately 2,500,000 dozens per annum.

While the position of the industry in the national structure may seem small on the basis of labor employed or dollar volume, the plants comprising the industry represent a substantial capital investment which is estimated to be in excess of $10,000,000.

During the war the Government looked upon the product of the industry as essential to the public safety and the public welfare and health. Steel was made available for the products of the industry while so many other industries were stopped. In addition, it is noteworthy that most of the units of production in the industry played important parts in the program for the production of war material. Some of the items produced were as follows:

Land mine fuze, metal parts for
Proximity fuze, metal parts for
Cleaning and finishing operations on incendiary bomb
Special finishing on .30 and .50 caliber cartridges
Detonator cups
Rivets for antisubmarine nets
Rifle grenades
Fins for grenades
Fins for rockets
Detonator tubes for land mines
Assemblies for 6-inch gun mounts
Clips for rocket shells
Army and Navy leggings
Tank tarpaulins
Gun covers
Parachute flares
Ski gaiters
Signal flags
Medical kits
Incendiary bomb fuzes
Aircraft parts
Experimental work for Navy, Army, Air Corps
Subcontracts for many parts

Each of the afore-mentioned companies comprising the industry is a so-called small-business plant (employing less than 500 employees). As such they represent the backbone of the country in war or in peace. It is small business which pays the bulk of the Nation's taxes, employs the bulk of the Nation's people, and in time of war does the bulk of the job of producing war material.

We respectfully submit the following facts in support of our plea that the Trade Agreements Act be not extended for the inevitable result of such extension will be the annihilation of our industry and our businesses. Of this there can be no question as we know from bitter experience the extent and character of the competition to which the industry will be subjected by way of imports with the protection of the tariff diminished.

Under the act, State Department agents with little or no industrial experience trade businesses and industries at foreign-treaty conferences like checkers. We have seen the result of these conferences in the past, especially for small industries like ours.

Without adequate tariff protection our industry is doomed.

In the past, the following countries successfully imported umbrella frames into the United States even without the assistance of a reduced tariff: Germany, Austria, Italy, and Japan.

The industry is very progressive in its manufacturing methods. The standards maintained are high. The American methods, equipment, and machinery are more efficient than that of any of our foreign competitors. Everything has been done to bring down costs. Nevertheless, since our standards of labor are so much higher than that maintained by the best of our foreign competitors and since labor represents approximately 33⅓ percent of the cost of our product we are hard put to compete even with the present tariff protection. The Federal Republic of Germany is one of the countries with whom the United States is now negotiating. The information that follows concerns Germany and is taken from material which the writer has been informed was published by the British Intelligence Objectives Subcommittee, 32 Bryanstin Square, London, W. I., England (annexed and made a part hereof as exhibit A, retained in committee file). This information appears to have been compiled as a result of an investigation that was made in 1946, the

purpose of which was "to investigate the German industry in metal components for umbrellas and report thereon." The products covered by the investigation comprise all the metal component parts of an umbrella.

The German industry includes eight manufacturing firms, each mainly engaged on umbrella components. In addition, there are several firms supplying the industry with sundry component parts or semimanufactured materials.

The investigation report states that "from the information obtained it is estimated that a total turn-over for the industry of nearly 8,000,000 reichsmarks was effected in the last prewar year. This turn-over is analyzed as follows:

Type	Quantity	Value in reichsmarks
Solid and flexus ribs	790,000 dozen sets	1,196,000
Fluted ribs	430,000 dozen sets	1,265,000
Tubes and frames	90,000 dozens	386,000
Folding frames	96,000 dozens	3,821,000
Furniture (frame parts)	130,000 gross	670,000

The said report further indicates that the combined figures of the best of recent years obtained from the firms that comprise the German umbrella frame industry as were able to give this information shows an annual turn-over for the industry of 10,400,000 reichsmarks or 36 percent higher than the last prewar year. The report states that while figures were not available there is evidence that the capacity of the German industry is much greater than any turn-over attained in recent years and that the investigators had the impression that the maximum attainable turn-over might be 2 to 2½ times the total achieved in the last prewar year.

The investigators observed, that while reliable figures of maximum capacity were not available, it would appear that if fully employed, something in excess of 10,000 tons of steel per annum would be absorbed by the German frame industry.

Ten thousand tons of steel will produce approximately 4,000,000 dozens of umbrella frames, so it can be seen that the German capacity is almost twice the United States capacity and that Germany could supply the total United States production of an estimated 1,250,000 dozens without any difficulty.

Further information from the report indicates that the maximum employment capacity of the German industry is estimated at 3,200 employees.

The report further states that, "no opportunity of assessing the efficiency of German labor was available but from information we gathered based on prewar conditions, we formed the general impression that labor efficiency, apart from the question of mechanization, was somewhat higher than we are accustomed to in Britain." It is generally accepted fact in the United States that German labor was always more efficient than our labor. This can be observed by comparing German workmen in our plants with our own American workmen.

On the question of wages the investigators were told that a uniform reduction of 20.5 percent was officially approved in 1936 and that rates generally have remained stationary since then. Firms who had recently been in production on umbrella components had in fact been paying the same piecework rates to employees as were paid prior to the war.

Compare that general wage picture with the trend in the United States. In most of the industry's plants there has been four or five rounds of general increases since the war.

The average rates of wages paid in the German industry were as follows:

	Reichsmarks per hour
Skilled men	1.15
Unskilled men	.78
Semiskilled women, day work	.56
Semiskilled women, piecework	.78

All firms remunerate their employees by straight piecework prices (in marks and pfennigs) for all productive operations except such processes as electroplating.

The wage rates in the United States umbrella frame manufacturing industry are estimated as follows:

	Per hour
Skilled men	$2.50
Semiskilled men	1.60
Unskilled men	1.10

Generally in the United States plants men and women receive equal pay for equal work.

The value today of the reichsmark which today is called the deutschemark is $0.238 per mark

The industry takes the liberty of making a comparison of the average hourly rates in the German and United States plants based on translation of marks to dollars:

	German plants	United States plants
		Per hour
Skilled labor	$0.2737	$2.50
Semiskilled labor	.1856	1.60
Unskilled labor	.13328	1.10

The above table becomes more markedly significant if the writer's premise that German labor is more efficient than American labor is borne in mind.

From the foregoing facts, gleaned from reports of the British Intelligence and from the industry's analysis, the following conclusions may be safely made:

I. The German umbrella frame industry has a capacity far in excess of that necessary to supply the entire United States market with all the umbrella frames used.

II. The German cost per unit of output resulting from the combination of the higher productivity of its labor and the lower rates of wages is far less than the United States cost per unit of output. (From the table above it would seem that German labor with its higher productivity is 15 percent of United States labor.)

III. A reduction in the tariff will only serve to better enable the German umbrella frame industry to undersell the domestic manufacturers.

The industry has no information at this time with regard to Austria and the United Kingdom, the other countries which have been primary threats to our industry in the past.

With respect to Austria, our past experience has been that the same factors that apply to Germany apply equally to Austria. Pending our obtaining information, we respectfully submit that the conclusions drawn with respect to Germany and above set forth be applied with equal force to Austria.

With respect to the United Kingdom, England in particular, there are a number of large size, well organized umbrella frame plants established. At the present time we have no information regarding productive capacity, labor costs or wage rates. The industry, however, has seen quotations from the various English firms and based on the devalued English pound it is of the opinion that if the tariff was reduced these firms would have an overpowering advantage over the United States firms in our market.

The industry from its past experience know the disastrous effects of foreign competition on its domestic business.

In July 1930, an investigation was started by the Tariff Commission in compliance with Senate Resolutions Nos. 309 and 312 dated June 30, 1930, and July 1, 1930, respectively.

On June 8, 1932, the United States Tariff Commission presented its report to the President (Report No. 47) on The Differences in Costs of Production of Umbrellas and Umbrella Frames and Skeletons in the United States and in the principal competing country as ascertained pursuant to the provisions of section 336 of title III of the Tariff Act of 1930". (A copy of this report is annexed and made a part of the committee file and is designated exhibit B.)

The industry calls the committee's attention to table 6 on page 16 of said report. This table is entitled "Comparison of domestic and foreign umbrella frames and skeletons 1930 and rates of duty required to equalize the cost difference."

This table shows the *average cost* per dozen *domestic* umbrella frames delivered at New York to be $3.61. The average cost per dozen foreign umbrella frames of the same type, delivered at New York was $2.13. The table goes on to show that the rate required to equalize cost differences was 62 percent. This was so close to the 60 percent duty existing that no change was made.

The test applied was what was necessary to *equalize* the difference in cost of production including transportation and delivery to the principal markets in the United States. (See p. 5, Conclusions, in the said Report)

In spite of this tariff, which the Commission claimed equalized the costs of production just 4 years later, in 1936, Japanese umbrella frame manufacturers

land umbrella frames, duty paid, in the United States for $2.48. These same frames were listed in table 6 of the Tariff Commission's report as costing $4.65 per dozen. This condition brought domestic prices down below cost and the American manufacturers were on the verge of bankruptcy when Japan's war efforts prevented the completion of the process. Japan withdrew from the market and the reeling umbrella frame industry slowly recovered. (We annexed photostats of several letters addressed to one of the members of our industry by its customers concerning Japanese umbrella frames as exhibits C, D, and E.)

At present with the high wages paid the American worker the current price of umbrella frames is such that umbrella frames from Germany, Italy, Japan, and Austria are being landed duty paid at less than the market price of American umbrella frames. England is delivering umbrella frames to Canada, where there is no duty, at prices considerably lower than United States prices for the same commodity.

All that our industry asks is that a basis of fair and reasonable competition be established so that we can compete on a parity with foreign manufacturers in our own domestic markets.

We can only have fair and reasonable competition when iniquities and unequalities in the wage scale of foreign countries as compared with our wage scale are erased by equalizing tariffs or duties.

We have shown that by reason of the wide difference in the wage scale that exists in the countries of our foreign competitors as compared with ours we should not be able to compete without the protection of a tariff which equalized the difference in the costs of production.

The negotiators who are bent upon removing the protection of the tariff from American industry and American labor receive their authority to act from the Trade Agreements Act. If this act is not extended their authority will fall. Legislation should then be enacted to provide that duties should be levied to equalize wage differences at home and abroad and thus provide a basis for fair competition.

If this is not done our capacity to pay taxes, our capacity to employ labor, our capacity to provide war material in times of crisis will all be destroyed. It is high time that Congress stopped mouthing phrases about what is to be done for small business and started doing something to protect and foster small business.

In 1936 some of the members of our industry appeared before the Tariff Commission to seek assistance from the ruinous Japanese competition that was at that time throttling them.

The chairman stated to our industry that nothing must be done to antagonize Japan. We now know, all of us, that Japan had no scruples, not too many years later, to antagonize us at Pearl Harbor.

The umbrella frame and umbrella hardware manufacturing industry for itself and for the thousands of other industries similarly situated and for countless numbers of American labor who will be adversely affected if such action is not taken, respectfully petitions the Senate Finance Committee not to vote out of committee the legislation that proposes to extend the Reciprocal Trade Agreements Act.

Respectfully submitted.

THE UMBRELLA FRAME AND UMBRELLA HARDWARE MANUFACTURING INDUSTRY.
By LEONARD E. FINKEL.

NEW YORK, N. Y., March 12, 1951.

POLAN, KATZ & CO.,
Baltimore, February 17, 1936.

S. W. EVANS & SON,
Frankford, Philadelphia, Pa.

GENTLEMEN: Coming back to the subject of prices of frames which you have been quoting us, we wish to inform you that your prices are far out of line with the prices quoted on Japanese frames.

We can buy a 16 rib gold or silver frame, the same as you have listed at $3.50 per dozen, for $1.55 per dozen in Japan; freight and expenses paid. This frame with duty of 60 percent added would bring it to us landed at $2.48 net, which you can see is $1 cheaper than what we can buy them from you.

You will have to consider this competition, because as you know it is getting pretty serious and if you want us to buy frames from you, you will have to do something to meet or almost meet this competition.

Yours very truly,

POLAN, KATZ & CO.

O. I. KAHN & CO.,
New York, February 21, 1936.

S. W. EVANS & SON,
Frankford, Philadelphia, Pa.

GENTLEMEN: Sixteen rib Japanese frames in gilt and silver are being offered in New York for about $2.50 per dozen, landed.

Your last reduction in price brings your frame to $3.50 less 5 percent. While I always perfer American made merchandise, I cannot expect to meet the prices of my competitors who buy cheap imported frames while I try to favor you with business. The matter is serious now and will increase as time goes on. What are you going to do about it?

At the present price of frames, the cheapest umbrella which we can make here is one of seven ribs costing us about $7 per dozen to make. The market has been flooded with cheap Japanese umbrellas which sell at $4.25 per dozen.

Yours very truly,

O. I. KAHN & CO.

SOL ALTSHULER, INC.,
New York, February 21, 1936.

S. W. EVANS & SONS,
Philadelphia, Pa.

GENTLEMEN: What are you going to do about the price of umbrella frames?

While your reduction to $3.50 for a 16 rib is a step in the right direction, this figure does not begin to meet the Japanese frames that are being offered on the market. These may not be quite as good as your product, but they seem to answer the purpose and as my competitors are using them, I am going to be forced to do likewise unless you are going to meet these conditions.

Let me hear from you at once for as business will open up a little as soon as the weather improves, I have got to know at what price I am to figure the frames.

Yours very truly,

SOL ALTSHULER, INC.,
M. ALTSHULER.

LEONARD ALTSHULER CO.,
New York, February 18, 1936.

S. W. EVANS & SON,
Philadelphia, Pa.

GENTLEMEN: I am sending you a sample of a Japanese frame which is being offered in the market in New York, 16 rib in gold and silver, on a shank for$ 2.60 per dozen. We do not say that this frame is as good as yours but it is a serviceable article and satisfactory in most ways. Your last price reduction brings your similar frame to $3.50 less 5 percent. There are rumors in the market of even cheaper frames than this sample I am sending and as my competitors are using them I will be forced to do the same thing. What are you going to do to meet this condition? I cannot sell umbrellas on frames that cost $3.50 when my competitors are using this frame for about $2.50. Much as we prefer American goods we will have to do something to meet this condition or close up. As you know, we have already suffered from the importation of completed Japanese umbrellas and this threat of large quantities of Japanese frames makes the situation that much worse.

Let me hear from you at once, while the weather makes conditions rather slow. As soon as the weather improves there will be a certain amount of business available. Therefore, let me hear from you at once for we want to know how to figure our goods.

Very truly yours,

LEONARD ALTSHULER CO.,
LEONARD ALTSHULER.

FOLLMER CLOGG & CO., INC,
Lancaster, Pa., March 23, 1936.

S. W. EVANS & SON,
Frankford, Philadelphia, Pa.

GENTLEMEN: In connection with our conversation a day or two ago, referring to the damage that threatens the umbrella frame industry by the influx of umbrella and parasol frames from Japan, I would like to mention a serious damage that the import of Japanese umbrellas and parasols is doing to the umbrella industry.

You mention the information from Senator Copeland that in 1934, 84,000 dozen, and in 1935, 185,000 dozen umbrellas and parasols (other than paper or lace-covered) were brought into this country from Japan, and as I understand it, further states that this is a class of merchandise that there is no production of in this country, but that last clause: "no production of this class of merchandise in this country.," is not a fact. The umbrella industry can produce these parasols and adult umbrellas, of which you say there were 25,000 dozen that came in in 1935, but the point is that we cannot compete with the prices that Japan seems to be able to make, with its cheap labor on this class of merchandise. We only have a protection of 40 percent ad valorem, which we have brought to the attention of the Tariff Commission several times, is not sufficient.

At the rate Japan is dumping made-up umbrellas into this country—84,000 dozen in 1934, and 185,000 dozen in 1935—if some stop is not put to this by the Government, in 1936 it will have gone up 100 percent more.

In 1935 we sent samples of adult umbrellas to the Tariff Commission, at Washington, showing that these goods were delivered f. o. b. New York, at less than the price of our material and labor.

When you consider the number of pieces that 185,000 dozen amounts to, over 2,000,000 umbrellas, with an industry that I am quite sure does not make 10,000,000 umbrellas in a year, in the United States, you can see the disaster that is overtaking the industry with this enormous amount of goods coming in at such a distressing price.

We have brought to the attention of the Tariff Commission, in Washington, the fact that importations of complete umbrellas enjoy the lowest rate of duty applicable to any of the component parts. The complete umbrella bears a duty of 40 percent ad valorem. The component parts bear a duty as follows:

Umbrella cloths	55 to 85 percent, depending on the quality.
Umbrella handles	40 to 75 percent, depending on the material.
Umbrella tips	50 percent, plus 40 cents per pound.
Umbrella frames	60 percent.

The rate of duty imposed by the Tariff Act of 1930, paragraph 1554, which imposes a duty of 40 percent ad valorem on umbrellas, has worked more of a hardship on the umbrella industry than anything that I could bring up. Now, on top of that, Japan with her low-priced labor is dumping umbrellas and children's parasols into this country at such ruinous prices that if it continues—if there is not some stop put to this dumping process—the umbrella industry will be in a far more deplorable condition than it is.

Very truly yours,

FOLLMER, CLOGG & CO., INC.,
J. A. MAXWELL.

S. ORNSTEIN & SONS,
New York, March 7, 1936.

S. W. EVANS & SON,
Frankford, Philadelphia, Pa.

GENTLEMEN: Answering your inquiry as to the effect of Japanese competition on our children's parasol business, please note that this competition has finally driven us out of the children's parasol business.

For about 20 years, we manufactured children's parasols at a rate varying between five and ten thousand dozen a year, but for the past 2 year we have manufactured no parasols at all.

Prior to about 1926 or so, practically all of the Japanese importations of children's parasols were of the very cheap kind retailed for 5 and 10 cents; flimsy little contraptions that competed in no way with our American made, style items. But around 1926, Japan began copying our popular-priced American made articles, retailing between 59 cents and 69 cents and sold them at a price which made 20 cent retailers of them.

This happening proved to be the beginning of the end of our children's parasol business. Japan continually improved the item and, as a result, more and more of our business was taken away. Within the last few years, Japan has shipped hand-painted rayon, children's parasols into the country which have been retailed at 15 cents to 19 cents each. We couldn't make the covering alone for either of these figures.

That was the end!

Yours very truly,

S. ORNSTEIN & SONS,
MAX ORNSTEIN.

JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA,
Washington, D. C., March 20, 1951.

Hon. W. F. GEORGE,
Chairman, Senate Finance Committee, Senate Office Building,
Washington, D. C.

DEAR SENATOR GEORGE: The Jewish War Veterans of the United States of America have continuously supported the Reciprocal Trade Act and have regularly passed resolutions at their conventions reaffirming their support of that act under the terms in which it was written prior to the Eightieth Congress and as restored in the Eighty-first Congress. We are opposed to H. R. 1612 as passed in the House and on which you are currently holding hearings, because of the hampering amendments embodied in it.

Our support is predicated on the thesis that it is to the advantage of the United States to negotiate trade agreements under the terms of the existing act in order to promote trade with other countries. It is essential to our economy that we export our surplus agricultural and industrial products. To effect such exports, we must have the sort of trade agreements which will permit other countries to pay us with products which they can export to us. We cannot afford to drain them of their gold. Now that ECA has helped so many countries of the world to restore their productivity and put them in a position to export, we must not put obstacles in the way of their exports to the United States when that is the sensible means for them to secure the foreign exchange which will enable them to pay for the goods they need from our country.

The agreements made under the RTA have worked well toward the desirable objective indicated in the previous paragraph. If the trade agreements are not hampered by the amendments proposed in H. R. 1612, we are confident that the advantageous exchange of products between our country and foreign countries, will continue to our mutual advantage. The amendments proposed in H. R. 1612 can only hinder our negotiators who certainly have at heart, the best interests of the United States. The record shows that over the years in which the act has been in operation since the escape clause was instituted, the complaints have been few, only 21 complaints since 1947. Of that number the Tariff Commission, after study, has thus found that only three of the complaints warranted a formal investigation and apparently three complaints are still pending. Of the three which were formally investigated, only one—women's fur-felt hats and bodies—warranted our withdrawal of the concessions which we had previously granted. One—hatter's fur—still undecided by the Tariff Commission and one—spring clothes pins—decided by the Tariff Commission not to require the withdrawal of our concession. Thus, it would seem that our negotiators have faithfully and skillfully cared for our domestic industries in view of the thousands of products on which agreements have been made.

We feel that the provisions in the present act which permit all interested parties to bring before the interdepartmental organization, such facts and arguments as they have regarding their products, certainly prepares our negotiators to take into account what should be considered, in bargaining, for an advantageous trade agreement. To break up the interdepartment organization team by withdrawing the Tariff Commission from that team would be a serious mistake. We likewise feel that the other amendments could serve only to tie the hands of our negotiators and to obstruct making the most advantageous agreements.

We, therefore, hope that your committee and the Senate will vote down the amendments proposed and passed in the House and that you will make every effort to extend the act as it now stands for 3 years.

Respectfully submitted.

JEWISH WAR VETERANS OF THE UNITED STATES,
By BERNARD WEITZER, *National Legsislative Director.*

(Whereupon, at 5:10 p. m., the committee recessed, to reconvene on Tuesday, March 13, 1951, at 10 a. m.)

TRADE AGREEMENTS EXTENSION ACT OF 1951

TUESDAY, MARCH 13, 1951

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

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

Present: Senators George, Kerr, Frear, Millikin, Butler, Martin, and Williams.

Also present: Mrs. Elizabeth B. Springer, chief clerk, and Serge Benson, minority professional staff member.

The CHAIRMAN. Congressman Bailey, the committee will be very glad to hear you. You are the only witness this morning, and we will be glad to have you make any statement that you wish.

We are ready to hear you on H. R. 1612, the Trade Agreements Act.

STATEMENT OF HON. CLEVELAND M. BAILEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. BAILEY. Mr. Chairman and gentlemen of the committee, for the purpose of the record, I am Congressman Cleveland M. Bailey of the Third West Virginia District. I appear in behalf of the industries and the workingman of West Virginia who will be adversely affected by the extension in its present form of the Reciprocal Trade Agreements Act, which will expire on June 12, 1951.

In 1945, and again in 1949, I opposed, on the floor of the House, this legislation, which threatens to disrupt the economy of my State. I am opposed to the State of West Virginia being made a "guinea pig" for further experiments in the field of trade relations.

I find, Mr. Chairman, five of the leading industries of my State, with their more than 200,000 employees, are menaced by a flood of mounting foreign imports that have only recently put our coal industry on a 3-day workweek and has forced the closing of more than half the glassware plants in West Virginia. Other industries, such as pottery plants and woodworking establishments, have had to use "share the work" plans by reducing the hours worked each week to avoid laying off their employees.

West Virginia is not the only section of the Nation to feel the brunt of this uncontrolled competition from abroad. A careful check discloses that at least 19 States and more than 150 congressional districts produce articles that are adversely affected. It is textiles, shoes, watches, hats, and fisheries in New England. It is glassware, hats, and optical instruments in New York. It is pottery and glass in

New Jersey, Pennsylvania, Ohio, Oklahoma, and California. It is coal in West Virginia, Pennsylvania, Kentucky, and Colorado. It is lumber products in the Northwest and fisheries and hops in California. It is sponges and fruits and fresh vegetables in Florida, and independent oil in Texas, Oklahoma, Kansas, and Louisiana.

The experiences learned in 16 years since the inception of the reciprocal trade ideal in 1934, is such that one is forced to the conclusion that our Nation's economy will be impaired by the extension of the existing act. Particularly, is this true, if the renewal carries the authority to any government or agency to grant further tariff cuts and if the so-called escape clause, now the figment of someone's imagination, is not liberalized and legalized by being written into the language of the basic act itself.

At no time since the enactment of the Smoot-Hawley Tariff Act in 1930, has our Nation, or for that matter, the world itself, functioned under normal conditions. Things were abnormal in the early thirties because of a world depression. They were abnormal in the early forties because of a great World War. They are abnormal in the early fifties because of the dire threat of a third world wär. What I want to say, Mr. Chairman, is that the Reciprocal Trade Act has not demonstrated that it is an asset to our national economy. It has never had to meet the impact of normal world competition under normal conditions.

If our national economy is to be a sound economy, we must maintain a favorable trade balance. Our exports must exceed our imports. Only on two occasions in the past 16 years, have we approached periods of normalcy. In the years just prior to World War II, we witnessed a sudden increase in foreign imports. American-made goods were in some instances, driven out of the market. Conditions were rapidly approaching normal, prewar and wartime defense activities halted this trend and a new cycle of abnormal conditions gripped this country. Another approach to normal levels, came in mid-1950, only to be again interrupted by the Korean War emergency.

It is interesting to note, Mr. Chairman, that in both these instances as we came near to normalcy, we were faced with a gradual shift in our trade balance. In the month of October 1950 we faced an unfavorable trade balance when imports exceeded exports.

In this connection, Mr. Chairman, I should like to call the committee's attention to the fact that had we not taken credit for approximately $100 million monthly of exports synthetically created by the use of the Marshall-plan funds, we would have encountered an unfavorable trade balance for most of the year. What is the answer when ECA funds stop flowing to Europe? The answer is plain—a continuing trade deficit.

I want it clearly understood that I am not opposed to the basic idea of reciprocal trade agreements. What I do oppose is the arbitrary administration of this legislation that closes every avenue of escape to "small business" and to those producers who without the advantage of mass production, are unable to compete for even our domestic markets.

H. R. 1612, now being considered by your committee, has been materially altered by action of the House in the form of at least four limiting and clarifying amendments. The "peril point" provision as found in section 5 of the proposed legislation is not a new idea. It was

written into the act by the Eightieth Congress and deleted by the Eighty-first Congress. Its objective is sound. It is not a complete solution to present problems in that it will apply only to future trade agreements. This is all too apparent when we recall that the present agreements, some 40 or more, cover all the nations with which reciprocity is either possible or desirable.

The non-Communist provision, found in section 6, is one worthy of careful consideration of this committee. It, too, is of little use since it does not provide for the cancellation of the existing treaty with Czechoslovakia, the only nation behind the iron curtain with which we have reciprocal trade relations. I earnestly urge this committee to give very careful consideration to the possibility of so amending this section to permit the orderly termination of this particular trade pact under the provisions of section 350—Trade Agreements Act subsection (b) of section 2—that gives the President authority to terminate any existing treaty on 6 months' notice.

I wish to call particular attention to section 7 of the trade agreements extension bill, H. R. 1612, as amended. This is the escape-clause amendment which I sponsored in the House.

It is not necessary to dwell on the need for a change in the existing escape clause. Numerous witnesses have attested to its weaknesses and defects.

Senator MILLIKIN. What was the vote on your amendment, Congressman?

Mr. BAILEY. As I recall, 191 to 89, Mr. Senator.

The very fact that the United States Tariff Commission has granted a remedy in only 1 case out of 16 is of itself evidence that something is wrong.

The further fact that the existing escape clause does not require an investigation by the Tariff Commission nor a hearing or a finding of fact leads to the conclusion, particularly in view of the summary dismissal of nearly all the cases without any explanation or finding, that the wording of the clause in its present form is an open invitation to arbitrary action and to the intrusion of political consideration in the disposition of escape applications.

These deficiencies in the existing clause would be remedied by the House amendment as embodied in section 7 of the bill. Under it, the Tariff Commission would be required to make an investigation of alleged injury and must hold public hearings. It must also make a finding of fact and, if it should dismiss an application, it would be required to set forth the reasons for such action.

The existing escape clause also fails to provide objective criteria for guidance of the Tariff Commission. This defect would be remedied by subsection (c) of section 7. The Tariff Commission must consider certain ascertainable facts as evidence of serious injury or as evidence of a threat of serious injury. These are a decline in production, employment and wages, or a decline in sales and a rising inventory if these are attributable to imports, at least in part. These factors will provide the most conclusive evidence of injury, but are not to be regarded as the only evidence. We should, however, be sure that these are not overlooked. If they or any of them are present in a marked degree, injury will inevitably be incurred whether it be financial injury to the owners or loss or reduction of employment and therefore loss of pay by the workers.

The foregoing are in the nature of procedural changes in the administration of the escape clause, but do not affect the escape clause itself. These changes could be put into effect by the United States without consultation with the various countries with which we have entered into trade agreements.

Subsection (a) of section 7, however, provides for a change in the wording of the existing escape clause. Several of the conditions laid down in the existing clause as justification for escape have been eliminated or modified. The condition that injury must be the result of "unforeseen developments" has been eliminated since it has no bearing whatsoever on the fact of injury. Likewise dropped from the clause is the requirement that the injury must be attributable to a particular concession in a particular agreement. Finally, the requirement that imports must have increased since the concession was granted, is modified by dropping its exclusive character. Other factors than an increase in imports are accepted as possible grounds for escape.

Aside from altering the conditions of escape as just described, the amendment adds import quotas to the possible remedies or preventives of injury.

In defense of the quota approach to the solution of this problem, may I ask the patience of the committee for an additional minute to remind the members that testimony taken before a special Senate committee, some months ago on the effects on our national economy from the unrestricted imports of cheaply produced foreign crude oil, shows conclusively that the restoration of the import rate of duty on crude oil, which was 21 cents per barrel under the Smoot-Hawley Act of 1930, will not be adequate to protect the independent oil industry or the coal industry of the Nation. The only effective solution is an import quota.

The committee is also aware that in setting up an adequate national defense we have frozen certain essential articles that are not now available to our domestic producers. These necessary articles are not frozen to our foreign competitors who move in and raid our American market. We owe it to our American producer to safeguard his market while he is complying with defense regulations as all good and patriotic Americans should. The answer is again an import quota to apply for such time he is under this loyalty handicap.

The purpose of section 7 (a) is to provide suitable measures against injury, set forth in a manner that insures a fair procedure and provides sensible conditions for invoking the remedy, both of which are lacking in the existing clause.

Nothing inimical to the basic idea of reciprocal trade agreements is found in section 7. On the other hand, it recognizes the inherent right of every American to petition for a redress of his grievances. It provides a clear-cut and direct means of safeguarding both the business of the producer and the wages and employment of the workers. It will grant relief to the domestic producer who is handicapped by freeze orders on scarce materials by protecting his domestic market from outside imports while our defense program denies him access to material essential to the production of his goods.

Mr. Chairman, I would like to make the suggestion that I believe these regulations and the escape clause should be a matter to require the attention of the Congress and should be written into the act on

the floor of the Congress and not written into the act at Geneva or Torquay, as has been the experience in the past.

I would like to, Mr. Chairman, in conclusion, urge favorable action by this committee on this legislation in the form of H. R. 1612, as amended by the House.

Thank you.

The CHAIRMAN. Any questions of Congressman Bailey?

If not, Congressman, we thank you very much for your appearance here.

Mr. BAILEY. Thank you, sir.

The CHAIRMAN. We are glad to have had you appear before the committee.

(Whereupon, at 10:30 a. m., the committee adjourned, to reconvene at 10 a. m. Friday, March 16, 1951.)

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